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Soviet Fighter In Brush With NATO Plane

The Associated Press

OSLO — Norway has sent a protest to the Soviet Union over a midair brush between a surveillance plane of the North Atlantic Treaty Organization and a Soviet jet fighter, the Foreign Ministry said.

None of the 10-man Norwegian crew was injured, and neither aircraft was badly damaged in the incident, which occurred Sunday in international air space over the Barents Sea. Norway's defense command said one engine was damaged on the Norwegian Air Force P-3B Orion when it was scraped by a Soviet Sukhoi-27 fighter. Experts disagreed on whether the Soviet pilot acted deliberately or accidentally.

Foreign Minister Thorvald Stoltenberg said Sunday night that he had summoned the Soviet ambassador, Alexander Terterian, to deliver a protest and demand an explanation. Terterian said he was surprised to learn what had happened and promised a quick reply. Mr. Stoltenberg said in a statement.

The incident occurred 170 miles (270 kilometers) southeast of Verdoe, Norway, 55 miles from Soviet territory.



FAMINE: In Ethiopia, a Renewed Threat of Starvation

(Continued from Page 1)

age to deteriorate to the point where television cameras will find starving people. The plan, he said, is to supply food to people in their home regions and avoid mass migrations to famine camps.

"This is how an early warning system is supposed to work," said Nicholas Winer, the representative of Oxfam, a British relief agency. "We are supposed to be in the business of famine prevention, not responding to a famine emergency, as happened in 1984. We are supposed to make sure the spring in Ethiopia is secure."

The U.S. government, too, wants to avoid the accusations that tainted its sluggish response to the 1984-85 famine. Then, according to authoritative reports after the famine, distance for Ethiopia's politics delayed relief operations by the Reagan administration. In the end, after widespread outcry in the American public, the United States was by far the largest single food donor.

On a more fundamental level, however, there are compelling similarities between the 1984 famine and the 1973 one. Both

and the emergency now unfolding. As it was three years ago, Colonel Mengistu's one-man government remains one of the most rigidly orthodox Marxist regimes in the world.

With Ethiopia facing a severe drought and food shortage just three years after its great famine, it is clear to many farm-policy experts that the country's chronic food problems are far too complex and intractable to be solved simply with higher prices for farmers.

"It is a much larger problem than mucking around in the marketplace," said Mr. Winer of Oxfam. "There are no instant answers. We all would like to see more happen in price reforms, but this time around I don't think reforms would have made any difference."

Production of people is booming. The most recent estimates are 1.2 million more people to feed," said Ingo Loerbroek, representative for the UN Food and Agriculture Organization. "The country has to hurry up its food production to stand still."

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Resigning Post to Campaign
N (AP) — Transportation Secretary Elizabeth Dole said Monday that she plans to resign with the president. Mrs. Dole said her firm's campaign office in Charlotte, North Carolina, was in the South. She is a native of North Carolina and transportation secretary for four and a half years.

Greets Former Secret Agent
The French authorities announced Monday after it said an environmental group described the unit as in disarray, was arrested about a French salvage mission to the flagship of the Greenpeace environmental group. Andre Gagnon and Monique on French ships has not been revealed, and Thibault was part of a team of divers that said the external intelligence group that said the two photographers died in the attack.

Lea Reports 3 Rebels Slain
U.S. — Three suspected guerrillas were tracked down and killed with the security forces near the African military command said Monday in Pretoria said that one of the rebels was killed on a farm near Vryheid, in northern KwaZulu, in July 1987. The external intelligence group that said the two were killed in the attack.

Libya Violates Its Airspace
Chad charged Monday that Libyan rebels had been shot down in their villages, but the tragic news was reported in Paris. The statement said Libya did not report any violations of the ceasefire. The Organization of African Unity and the International Organization of Migration. The official Libyan news agency said its flights stopped 15 minutes before the attack.

Afghan Rebels Down Plane
Afghan rebels have shot down a Soviet plane, killing all 15 people on board. A Kunduz airport in northern Afghanistan.

Card
The 15 passengers were reportedly flying to a military base in Kunduz, about 100 miles west of the capital, Kabul. The newspaper said that the rebels had been shot down Sunday by the U.S.-supplied "Stinger" missiles.

Travel Update
Moscow Duty-Free
A new duty-free shop has opened at the International Airport in Moscow. It is located in the terminal building and is open 24 hours a day. The shop offers a wide range of products, including cosmetics, perfumes, and tobacco products.

Shoring Ideological
The new duty-free shop has opened at the International Airport in Moscow. It is located in the terminal building and is open 24 hours a day. The shop offers a wide range of products, including cosmetics, perfumes, and tobacco products.

The catalog listed the ages of the minors in the visual depictions and also described the sexually explicit conduct depicted in the child pornography.

The suspects were charged with possessing material involving the sexual exploitation of minors, which carries a fine of up to \$100,000 and 10 years in prison. Persons having a prior conviction face a fine of up to \$200,000 and a prison term of not less than five years and not more than 15 years.

For Ideological Junketeers in U.S. Congress, Central America Is the 'In' Place to Go

By Clifford D. May
New York Times Service

WASHINGTON — As the Boeing 727 taxied down the runway at Dulles Airport, a flight attendant greeted the passengers over the public address system.

"Ladies and gentlemen, we welcome you aboard *Misión Libertad*," she said cheerfully.

"Our first stop will be Guatemala City. It is a federal regulation that all carry-on luggage fit under the seat in front of you."

The passengers, including two Republican U.S. representatives, Jack F. Kemp of New York and Sam Moulton of Texas, and more than 50 leaders of conservative research groups, lobbies and publications were only the latest — although by far the largest — delegation to make Central America the governmental destination of choice this summer.

At the same time Mr. Kemp's group was visiting Guatemala, Honduras, El Salvador and Costa Rica last week, Senator Tom Harkin, Democrat of Iowa, was dropping in on Nicaragua. Bob Dole of Kansas, the Senate Republican leader, led another Central American "co-de" (Washington shorthand for congressional

delegation) at the end of August. Senator Christopher J. Dodd, Democrat of Connecticut, chairman of the new Central American Negotiations Observer group, is planning a fly-in within the next few weeks. And Mayor Edward I. Koch of New York will be leading an independent observer group to Nicaragua in November.

"It is kind of the 'in' place to go just now, isn't it?" said Representative Henry J. Hyde, Republican of Illinois, who, as a member of the Foreign Affairs Committee and the Subcommittee on Western Hemisphere Affairs, has joined more than a few co-de delegations.

"If you're a leftist, you go to see how the cuts kids in Nicaragua's schools are learning to count hand grenades. And if you're on the right, you go to find out that the contras are really nice folks after all."

— Representative Henry J. Hyde of Illinois

such a strong magnet for legislators that U.S. Embassy officials in Addis Ababa occasionally grumble about spending their time as tour guides.

"The nice thing about Central America compared to those other places is that it's so convenient," said Eddie Mahe, a Washington-based campaign consultant. "Just an hour and a half from Miami and you've got a nice little war and guaranteed press coverage."

Whether voters now feel so strongly about

the region that they would reject a candidate who did not know his way around Tequendama is uncertain. But the serious contenders are all expected eventually to head south and can-

learn something and have a valuable experience," Mr. Hyde said.

But the slice of reality that visiting dignitaries get may be less than complete. Typically, a delegation arrives on a military or chartered plane, is met at the airport by beaming officials, waved past any gun-toting border guards or avuncular customs officials, chauffeured to elaborate meals and specially prepared hotel rooms, then returned to the airport for the presentation of souvenirs and a fond diplomatic farewell.

On a trip to Angola this summer, Representative Howard E. Wolpe of Michigan and Mickey Leland of Texas, both Democrats, were deeply involved in discussions about improved relations and the liberalization of that country's Marxist regime. Only later did they learn that an American reporter who had come to report on their visit had been roughly incarcerated at the airport.

"What gets me," said F. Andy Messing Jr., executive director of the National Defense Council, a conservative foundation, "is these congressmen who go down to Central America and just hold court at the hotel bar. That's no way to run a co-de."

In recent years, Mr. Meising's organization has sponsored more than a dozen congressional visits to Central America in conjunction with the State Department. "Anyone who goes with me meets with people on both the left and the right," he said. "I take them into the outback, to civilian hospitals and refugee camps. I take them out where they can get shot."

Back on Capitol Hill, those who have been abroad often try to use the experience to bolster their points of view. In a House of Representatives debate a few months ago over a bill to condemn Ethiopia's Marxist government for human rights violations, Mr. Leland repeatedly taunted his opponents by asking whether they had actually visited Ethiopia, as he had.

Finally, Representative Toby Roth, Republican of Wisconsin, replied that while he had not personally been to the Horn of Africa he had spent a great deal of time discussing the situation with such people as the former Ethiopian ambassador to France and the former chief of the Ethiopian famine relief effort, both of whom had defected to the West.

"All of whom are my friends, all of whom are my friends!" Mr. Leland shot back.

U.S. Indicts 100 in Child Pornography

United Press International

WASHINGTON — Two government sting operations have yielded more than 100 indictments for receiving child pornography through the mail, Attorney General Edwin Meese 3d announced Monday.

"Child pornography can never be condoned by the children victimized by it, nor condemned by society," Mr. Meese said at a news conference.

Results from the nationwide operations — one called Project Looking Glass and operated by the U.S. Postal Inspection Service, and the other called Operation Borderline and run by the U.S. Customs Service — came more than a year after the attorney general proposed a crackdown on child pornography.

Search parties in various states turned up sexually explicit photographs of minors, often related to the suspect, as well as firearms, drug paraphernalia and animals, the postal service said.

Working under the Child Protection Act of 1984, which prohibits people from knowingly receiving child pornography through the mail, the undercover inspectors arrested suspects who had responded to solicitation letters by purchasing child pornography.

Postal inspectors used a bogus mail-order company, Far Eastern Trading Co. Ltd., to send the targeted individuals letters, and they began making deliveries June 10.

The Customs Service's operation, in place for more than a year, used a fake Canadian company. It resulted in 130 searches in 23 states, a spokesman said.

Mr. Meese said that doctors, lawyers, schoolteachers and "people in almost every type of profession" were among those arrested.

The suspect first had to respond to a letter before receiving a catalog from the bogus company, which offered videotapes, films and magazines.

The catalog listed the ages of the minors in the visual depictions and also described the sexually explicit conduct depicted in the child pornography.

The suspects were charged with possessing material involving the sexual exploitation of minors, which carries a fine of up to \$100,000 and 10 years in prison. Persons having a prior conviction face a fine of up to \$200,000 and a prison term of not less than five years and not more than 15 years.



Demonstrators helped a man who was shot by unidentified gunmen during an anti-government protest march in a suburb of Panama City. One protester was killed and at least two were injured, opposition groups reported.

Panama Police Hold U.S. Envoy at Protest

United Press International

PANAMA CITY — Panamanian police detained a U.S. diplomat who was observing an anti-government rally in which opposition groups said supporters of General Manuel Noriega killed a protestor and wounded at least two others.

A State Department spokeswoman in Washington said Monday that David Miller, a U.S. Embassy economic adviser, was released several hours after his detention and that no charges were filed against him.

Mr. Miller had gone Sunday to watch the demonstration, which marked the second anniversary of the murder of a dissident leader, Dr. Hugo Spadafora.

The march, organized by the opposition National Civic Crusade and attended by hundreds of protesters, gathered shortly before noon in the community of Las Cambras and proceeded to the suburb of San Miguelito.

Opposition groups said gunmen dressed in civilian clothes opened fire as demonstrators clashed with government supporters on the outskirts of the capital, killing one person and wounding two. They said the gunmen were supporters of General Noriega, the leader of Panama's armed forces.

Witnesses said a demonstrator, Carlos Eirain, was shot in the forehead. Mr. Eirain died from the gunshot wound, officials at the San Fernando Clinic said.

In June, General Noriega was accused by his former deputy, Colonel Roberto Diaz Herrera, of conspiring in the Spadafora murder.

The colonel was arrested July 27 in a raid on his home and remains in custody. His accusations against General Noriega sparked the continuing rally of anti-government demonstrators.

Witnesses said at least a dozen men with pistols and machine guns were seen at the rally. The director of the Panamanian Committee for Human Rights, Osvaldo Velasquez, said: "This was a new attack of the paramilitary members on a peaceful march."

The confrontation occurred at a highway overpass in San Miguelito, where two weeks ago a man taking part in an opposition march was killed in a paramilitary attack. Those attackers have not been identified.

General Noriega has denied any knowledge of paramilitary units.

Witnesses said that they recognized a government agent at the rally and that he and uniformed traffic policemen nearby made no attempt to stop the shooting.

The human rights observers said they saw bystanders holding guns along the route but that nothing

happened until marchers reached the crossroads.

The confrontation occurred at a highway overpass in San Miguelito, where two weeks ago a man taking part in an opposition march was killed in a paramilitary attack. Those attackers have not been identified.

After the demonstration two weeks ago, San Miguelito's mayor, Baldwin Terian, said she would not permit opposition marchers in her community.

At least one local television crew was seen being assaulted by an unidentified man in civilian clothes, and witnesses reported seeing plainclothes policemen in the area shortly before the confrontation.



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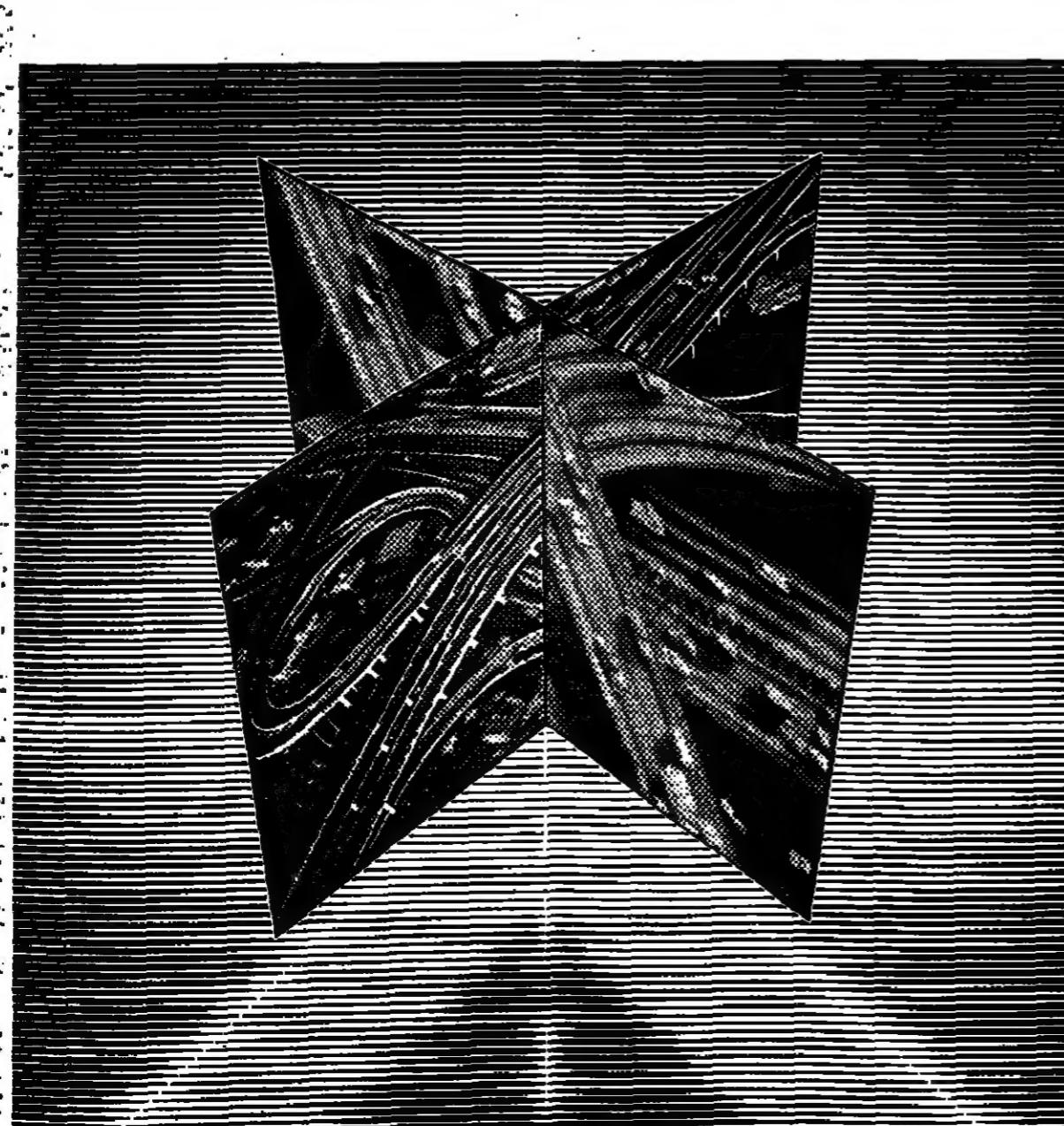
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New U.S. Cruise Missile Is Said by Officials to Be Accurate Within Inches

By Richard Halloran
New York Times Service

WASHINGTON — The Defense Department is developing a high-explosive, nonnuclear cruise missile that would hit within inches of its target, compared with several feet currently, according to Pentagon and congressional officials.

The officials also said the range of such low-flying missiles had been doubled. The Navy has succeeded in firing one from a submarine and hitting a target 3,000 miles (4,800 kilometers) away, they said.

Taken together, the officials said, these developments will have extensive political and military implications. But they doubted there would be an immediate effect on the meeting this week between Secretary of State George P. Shultz and the Soviet foreign minister, Eduard A. Shevardnadze, who arrived in Washington on Sunday.

They plan to discuss the final elements of an agreement that would ban from Europe medium-range nuclear missiles, including ground-launched cruise missiles.

The new developments are not expected to affect those negotiations, officials said, because the proposed agreement would not cover cruise missiles launched from aircraft, surface ships or submarines, which are the larger part of the U.S. inventory of such weapons. Moreover, producing operational versions of very accurate missiles with conventional warheads will take five to 10 years.

In the longer term, officials said, the implications of developments in cruise missiles would include these:

- Reducing the military loss to the North Atlantic Treaty Organization caused by an agreement to withdraw medium-range nuclear missiles from Europe, as they could be replaced by highly accurate conventional missiles based at sea or launched from aircraft, if not based on land.

- Lessening the temptation to use nuclear weapons in a conflict, as U.S. commanders could use precise conventional cruise missiles to achieve some of the same results.

- Giving impetus to what are known as "standoff" weapons, which can be fired at targets a long distance away, thus reducing the need for aerial bombing that puts pilots and planes at risk.

- Providing a weapon for use against terrorists, as new guidance systems will enable a cruise missile to pick out precisely the building at which it was aimed, lessening the likelihood of killing civilians.

The officials said the Cruise Missile Advanced Guidance Program had been under way for two years, with the system having been tested in aircraft this summer. Two companies, General Dynamics Corp. and McDonnell Douglas Corp., are competing for the contract.

While details are secret, officials said the new system used a carbon dioxide laser to look forward and to guide the missile as it approached the target. The technology, they said, could also be used to improve the accuracy of ballistic missiles.

In arms control, long-range cruise missiles with high-explosive conventional warheads would probably complicate future negotiations on reducing long-range nuclear weapons.

Reuniting Spouses Is Emotional U.S. Item in Talks With Soviet

By A.D. Horne
Washington Post Service

WASHINGTON — Ten Soviet-American couples divided by Soviet officials' refusal to let one partner leave the country are a small but highly emotional item on the human rights agenda as Moscow and Washington maneuver toward a summit meeting this autumn.

The problem has been raised repeatedly by U.S. officials, and it is expected to come up again during meetings in Washington this week between the Soviet Foreign minister, Eduard A. Shevardnadze, and Secretary of State George P. Shultz.

The "divided spouses" list was reduced by one couple this month when Mariel Finkel of Moscow and Susan Graham of Spokane, Washington, married since 1979, left Moscow with their 9-month-old daughter.

The missiles are navigated by a combination of an inertial guidance system over water and a terrain-following system over land.

The first measures each movement of the missile and feeds that data into a computer, which orders corrections. The second uses radar and optical scanners to "read" the ground underneath the missile; the computer compares that picture with a map in its memory to order corrections.

To U.S. officials, the issue is simple, a matter of basic human rights and compliance with the family reunification provisions of the 1975 Helsinki accords, because the Soviet Union signed.

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Philippine Rebel Leader Takes Cause To the Media

By Keith B. Richburg
Washington Post Service

MANILA — Colonel Gregorio Honasan, the leader of the military coup attempt last month, has launched a major propaganda blitz, granting interviews to CBS, Newsweek, a local tabloid newspaper and a popular radio station.

Colonel Honasan used the various interviews to present his own unedited version of the events surrounding the Aug. 28 rebellion in the Philippines.

He said, for example, that he never had intended to seize control of the government but only "to air the sentiments of our soldiers and our people."

Colonel Honasan also said that his continuing revolt had entered a "nonconfrontational" phase after the loss of 53 lives in the coup attempt. He said he had no plans to launch a campaign of urban terror.

He refused to detail his exact plans, leaving audiences dangling with the suggestion that if he talked in specifics now, "The plans of a more important group than mine would be imperiled."

But the renegade colonel, who was one of the leading figures in the Reform the Armed Forces Movement, which spearheaded the February 1986 revolt against Ferdinand Marcos, said he would continue to press his rebellion until President Corazon C. Aquino enacted "genuine reforms." This term seems to include a call for an overhaul of the government to give more representation to the military.

The interviews received widespread coverage in Manila, underscoring how in period since the coup attempt Colonel Honasan has emerged as the most sought-after media celebrity in the Philippines.

Colonel Honasan also has become a genuine hero among large segments of the armed forces.

When Vice President Salvador H. Laurel conducted a series of meetings at military camps around the country, a majority of the troops expressed sympathy for Colonel Honasan, and almost all said he should be granted amnesty.

"I don't see how anyone could disagree with such issues as improving the life and improving the welfare of the soldiers," said Major General Evaristo Ermita, the deputy chief of staff. Any disagreement with Colonel Honasan, he said, was not so much over issues as over "methodology."

It is still uncertain whether Colonel Honasan's popularity within the military ranks is reflected among the general public. A pro-Honasan rally in Manila on Sunday attracted only about a thousand people, and most of them were supporters of Mr. Marcos.

But some believe that after winning the battle of Aug. 28 the government is losing the propaganda war to Colonel Honasan.

Julie Yap Daza, a columnist in The Independent, a daily tabloid, wrote: "The fighting was stopped. The coup mounted by Col. Gringo Honasan was a failure. But who's winning? Honasan and company have disappeared from the scene of the action, not occupying a single square inch of territory, but they have captured the imagination of the people."

Chinese citizens consume millions of tons of melons in the sweltering months of July and August. In Beijing alone, officials estimate, the city disposed of 50,000 tons of rinds this summer, with street cleaners working around the clock to remove them.

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** BUSINESS ROUNDUP

Chemical to Cut Staff, Take a Charge*The Associated Press*

NEW YORK — Chemical New York Corp. said Monday that it planned to cut its work force by 10 percent, or about 2,100, and sell several businesses to strengthen its performance.

The bank holding company, the fourth largest in the United States, said it would take a one-time charge of about \$135 million in the third quarter to cover severance and other related expenses.

That will result in a third-quarter loss of \$65 million, it said. Chemical earned \$99.1 million in last year's third quarter.

The company said it would sell several businesses that did not fit its strategic plan, including its

Cleveland-based consumer finance subsidiary, Chemical Financial Services Corp. It did not name the other businesses.

Chemical and other major banks have been faced with increasing pressures on their earnings and capital because of losses on loans to developing nations, the slump in the energy and agricultural sectors and heightened competition from nonbank institutions.

In June, Chemical added \$1.1 billion to its reserves for possible loan losses, resulting in a loss of \$1.1 billion in the third quarter, compared with a profit of \$98 million a year earlier. It anticipated a loss of \$710 million for the year.

Chemical said it expected a loss of \$300 million in pretax gains from the sale of businesses.

It said proceeds from the sales, which it expects to complete next year, would be used to build equity and support businesses that met its strategic objectives and provide an attractive return on investment.

We are concentrating Chemical's resources on areas of business where we can achieve scale and significant market position," said Walter V. Shipley, Chemical's chairman.

The four-year spending plan intends to extend the country's phone network to provide 30 main lines for each 100 inhabitants, compared with the 25 lines at the beginning of this year, the officials said.

They added that Telefonica would probably sign a joint-venture agreement with the Soviet Union next month involving telecommunications equipment. The group is also looking into the possibility of buying companies in Latin America, they said, but gave no further details.

The company gave no profit figures but said it increased market share in coffee and chocolate.

Telefónica to Increase Capital For 1988 Spending Plans*Reuters*

PARIS — Spain's semipublic phone company is planning to increase its capital soon to help finance investment in 1988 totaling around \$2.65 billion, company officials said Monday.

The spending by Compañía Telefónica Nacional de España is part of a four-year investment plan through 1990 totaling about \$10 billion, aimed at improving the country's communications network.

The group intends to raise just over half of the 1988 sum on U.S. and European financial markets, partly through an increase in equity and partly through a bond issue, officials said. Details are expected to be completed later this month.

Ferruzzi Buying Central Soya Co.*Reuters*

RAVENNA, Italy — Gruppo Ferruzzi said Monday that its holding company, Ferruzzi Agricola Finanziaria, had agreed to acquire Central Soya Co. for around \$170 million.

Ferruzzi, a fast-growing agribusiness and financial empire, is to purchase the food processor, based in Fort Wayne, Indiana, from Shamrock Capital L.P. Under the accord, Ferruzzi would also take over a \$195 million bond issue. No further details of the bond were made public.

Ferruzzi said the agreement was subject to the completion of certain formalities.

Shamrock Capital, a limited partnership of the Roy E. Disney family, acquired Central Soya in 1985. Shamrock gave the purchase price as \$303 million.

SEC Zeroes In on a Takeover Tactic*New York Times Service*

WASHINGTON — The Securities and Exchange Commission is expected to take a step this week toward abolishing a controversial tactic used in corporate takeovers.

The five commissioners are expected to vote on Wednesday to seek public comment on a proposed rule that would restrict open-market purchases of more than 10 percent of a takeover target's stock. The restriction would apply if a tender offer for the company was under way or had just ended, commission officials said.

In several takeover battles in recent years, controlling blocks of a target company's stock have been bought on the open market, largely from arbitragers. The practice is known as "sweeping the market."

In 1985, for example, quick purchases totaling 30 percent of SCM Corp. were made by the British conglomerate Hanson Trust PLC, ending a bidding war. Hanson

bought the 3.1 million SCM shares in one afternoon after it had dropped its tender offer.

The commission staff believes that such large purchases can constitute an illegal tender offer, forcing ordinary shareholders to sell their stock under pressure if they hope to receive the same price being paid to arbitragers.

"The intent of the proposal is to address the real problem: purchasers that use the market pressure of a tender offer against investors," Daniel L. Goeler, the SEC's general counsel, said in a speech this summer.

Another reason for the proposed rule is that the SEC's position has not fare well in the courts. In a lawsuit arising from the SCM takeover, for example, the U.S. Court of Appeals for the 2d Circuit held that the Hanson purchases did not constitute a tender offer.

The proposed SEC rule would prohibit "purchases, offers to pur-

Times Mirror Agrees to Sell Denver Post to Media News*The Associated Press*

DENVER — The Times Mirror Inc. said Monday that it had agreed to sell The Denver Post to an affiliate of Media News Group Inc. of Dallas for \$95 million.

The affiliate, Denver Newspapers Inc., is owned by Richard B. Scudder and William Dean Singleton. Media General Inc. of Richmond, Virginia, also will be a financial participant in the transaction and will have the right in the future to acquire a 40 percent interest in the Post. Times Mirror said in Los Angeles. The agreement is subject to government approval.

Times Mirror will retain ownership of the Post's downtown land and buildings, valued at about \$20 million, and will lease those facilities to the Post for up to five years. The sale includes the Post's new production facilities on a 45-acre (18-acre) site northwest of central Denver.

Robert F. Erburt, chairman and chief executive officer of Times Mirror, said the decision to sell the Post resulted from "significant financial losses in recent years as the prolonged economic slump in the Denver area has reduced advertising revenues in the market."

Last week, Media News announced an agreement to acquire The Houston Post from Toronto Sun Publishing Corp. With the addition of the Houston and Denver papers, Media News will own 28 daily and 28 nondaily publications. Media General Inc., a partner in the Media News Group, owns an additional four dailies and more than 30 nondaily publications.

Fermenta Backs TRI Bid*Reuters*

STOCKHOLM — Fermenta AB, the troubled Swedish biotechnology company, said Monday that its board had recommended approval of a new offer by Trans Resources Inc. for its foreign units.

Fermenta's managing director, Bertil Holmlund, said the bid from the U.S. fertilizer and chemical group was valued at 1.4 billion kronor (\$218 million). He said all major shareholders and banks supported the bid. Fermenta will seek

formal shareholder approval at a meeting in mid-October.

Trans Resources would buy the Roferen and Pro-Chim units in Italy and Fermenta Inc. and SDS Bio- tech in the United States.

"Trans Resources is mainly interested in Fermenta's production and research facilities and inventory," one analyst said. "What will be left if the bid succeeds is an empty shell."

Fermenta, which is heavily in debt, said the units would be sold at a significant profit.

Dalgety Reports 23% Profit Rise*Reuters*

LONDON — Dalgety PLC said Monday that pretax profit rose 23.3 percent to £92.5 million (\$152.8 million) in the year to June 30, from £75 million the previous year.

The group restructured during the year, to focus on food and agriculture. It said that Golden Wonder (Holland) BV, purchased on Oct. 1, 1986, produced a trading profit of \$8.1 million in the year, while the disposal of ABM Chemicals Ltd. and the insurance broker Clarkson Puckle Group Ltd. helped produce an extraordinary credit of £17.1 million, against a previous debit of £38.2 million.

Dalgety said revenue rose 1.8 percent to £5 billion during the year, from £4.91 billion the previous year. Earnings per share were 27.8 pence, up from 24.6 pence.

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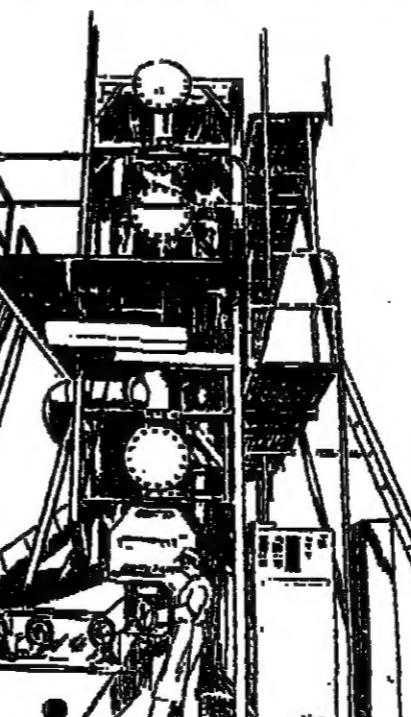
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C&W: Li Group Buys 4.9% Stake*Reuters*

(Continued from first finance page) at 4.3 dollars to raise 2.08 billion. Hong Kong Electric's rights issue will also be a one-for-five offering of 3 dollars to produce 2.42 billion.

Monday morning, the four companies voluntarily suspended trading in their shares on the Hong Kong Stock Exchange, where the suspension announcement weakened the market. At midday, the Hang Seng Index had lost 46 points, but later recovered to close 10.66 points down at 3,649.84.

On Friday, Cheung Kong shares closed at 12.90 dollars, Hutchison Whampoa at 14.20, Cavendish at 5.35 and Hong Kong Electric at 10.10.

C&W's shares closed lower at 438.50 cents Monday on the London Stock Exchange, after Friday's 455 cents.

C&W, which operates in 50 countries and employs over 34,000, has two major units in Hong Kong, C&W Hong Kong Ltd. and Hong Kong Telephone. Recently, the company has participated in joint ventures in China to provide telecommunications networks.

Some share analysts believe Mr. Li's interest in C&W stems from the British company's controlling interest in Hong Kong Telephone.

Both Hong Kong Telephone and Hutchison Telecommunications, a subsidiary of Hutchison Whampoa, have formed consortiums to bid for a highly lucrative cable television contract in Hong Kong.

Sir Eric Sharp, C&W's chairman and chief executive, said Mr. Li's purchase "was a surprise to us."

Although the stake would represent the largest foreign shareholding in the company, Sir Eric said, C&W "remains quite comfortable and relaxed" about the Hong Kong businessman's interest. The British



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NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

October 15, 1987

| NYSE Most Actives | | | | | | | |
|-------------------|---------|-----|------|------|------|------|-------|
| Vol. | High | Low | Last | Chg. | Per. | Adv. | Decl. |
| Det Ed | 152,077 | 152 | 154 | +15 | +1% | — | — |
| Star Tech | 14,000 | 14 | 14 | +1 | +1% | — | — |
| RJR Nab | 14,000 | 50 | 49 | -1 | -2% | — | — |
| Merck | 14,000 | 14 | 14 | +1 | +1% | — | — |
| Telco | 14,000 | 20 | 19 | -1 | -5% | — | — |
| Alex S | 14,000 | 37 | 37 | +1 | +1% | — | — |
| Genentech | 14,000 | 37 | 37 | +1 | +1% | — | — |
| Altair | 14,000 | 37 | 37 | +1 | +1% | — | — |
| AT&T | 14,000 | 37 | 37 | +1 | +1% | — | — |
| Boeing | 14,000 | 37 | 37 | +1 | +1% | — | — |
| Tracer | 14,000 | 37 | 37 | +1 | +1% | — | — |
| Ward's | 14,000 | 37 | 37 | +1 | +1% | — | — |
| Smithkline | 14,000 | 37 | 37 | +1 | +1% | — | — |
| Procter | 14,000 | 37 | 37 | +1 | +1% | — | — |

| Market Sales | | | | | | | |
|------------------------|-------------|--|--|--|--|--|--|
| NYSE 4 sum. volume | 154,288,000 | | | | | | |
| NYSE prev. cons. close | 12,740,000 | | | | | | |
| Amex 4 sum. volume | 14,246,000 | | | | | | |
| OTC 4 sum. volume | 13,780,000 | | | | | | |
| NYSE volume up | 15,459,500 | | | | | | |
| NYSE volume down | 49,499,500 | | | | | | |
| Amex volume up | 5,075,000 | | | | | | |
| OTC volume down | 10,000,000 | | | | | | |

| NYSE Index | | | | | | | |
|-------------|--------|--------|--------|-------|------|-------|-----------|
| High | Low | Close | Chg. | Per. | Adv. | Decl. | Unchanged |
| Composite | 180.74 | 179.25 | 180.54 | +0.51 | — | — | — |
| Industrials | 220.01 | 221.69 | 222.56 | +0.54 | — | — | — |
| Utilities | 180.52 | 181.00 | 181.50 | +0.48 | — | — | — |
| Finance | 184.02 | 184.44 | 184.92 | +0.52 | — | — | — |

| Monday's NYSE Closing | | | | | | | |
|--------------------------|-----|--|--|--|--|--|--|
| Via The Associated Press | | | | | | | |
| Advanced | 313 | | | | | | |
| Declined | 254 | | | | | | |
| Unchanged | 243 | | | | | | |
| Total Issues | 750 | | | | | | |
| New Highs | 12 | | | | | | |
| New Lows | 12 | | | | | | |

| AMEX Diary | | | | | | | |
|--------------|-------|--|--|--|--|--|--|
| Class | Prev. | | | | | | |
| Advanced | 313 | | | | | | |
| Declined | 254 | | | | | | |
| Unchanged | 243 | | | | | | |
| Total Issues | 750 | | | | | | |
| New Highs | 12 | | | | | | |
| New Lows | 12 | | | | | | |

| NASDAQ Index | | | | | | | |
|--------------|--------|-------|--|--|--|--|--|
| Class | Prev. | | | | | | |
| Composite | 145.86 | | | | | | |
| Industrials | 145.73 | -1.50 | | | | | |
| Finance | 145.42 | -0.30 | | | | | |
| Equipment | 145.15 | -0.27 | | | | | |
| Utilities | 143.61 | -0.51 | | | | | |
| Banks | 143.46 | -0.27 | | | | | |
| Transp. | 143.07 | -0.31 | | | | | |

| AMEX Most Actives | | | | | | | |
|-------------------|------|-----|------|------|------|------|-------|
| Vol. | High | Low | Last | Chg. | Per. | Adv. | Decl. |
| Wells | 225 | 21 | 21 | -1 | -4% | — | — |
| TELE | 225 | 21 | 21 | -1 | -4% | — | — |
| Wm B | 225 | 21 | 21 | -1 | -4% | — | — |
| TexAir | 225 | 21 | 21 | -1 | -4% | — | — |
| Armet | 217 | 21 | 21 | -1 | -4% | — | — |
| BlockE | 217 | 21 | 21 | -1 | -4% | — | — |
| Edwards | 217 | 21 | 21 | -1 | -4% | — | — |
| Edwards | 217 | 21 | 21 | -1 | -4% | — | — |
| Asmr | 217 | 21 | 21 | -1 | -4% | — | — |
| STABA | 174 | 174 | 174 | -1 | -1% | — | — |
| TIE | 174 | 174 | 174 | -1 | -1% | — | — |

| NYSE Diary | | | | | | | |
|--------------|-------|------|--|--|--|--|--|
| Class | Prev. | | | | | | |
| Advanced | 823 | 1153 | | | | | |
| Declined | 251 | 429 | | | | | |
| Unchanged | 243 | 372 | | | | | |
| Total Issues | 1985 | 1989 | | | | | |
| New Highs | 38 | 37 | | | | | |
| New Lows | 38 | 37 | | | | | |

| Odd-Lot Trading in N.Y. | | | | | | | |
|-------------------------|-----|-------|-------|--|--|--|--|
| Secd. 11 | 847 | Sales | 15M/1 | | | | |
| Secd. 9 | 251 | Sales | 15M/1 | | | | |
| Secd. 8 | 250 | Sales | 15M/1 | | | | |
| Secd. 7 | 198 | Sales | 15M/1 | | | | |
| Secd. 6 | 248 | Sales | 15M/1 | | | | |
| Secd. 5 | 198 | Sales | 15M/1 | | | | |

| Dow Jones Averages | | | | | | | |
|--------------------|--------|--------|--------|-------|-------|------|-------|
| Open | High | Low | Last | Chg. | Per. | Adv. | Decl. |
| Indus | 292.34 | 294.57 | 292.52 | +2.14 | +0.7% | — | — |
| Transp. | 197.94 | 197.64 | 198.02 | +0.08 | +0.4% | — | — |
| Utilities | 295.71 | 294.95 | 294.16 | -2.51 | -0.8% | — | — |
| SP 100 | | | | | | | |

| Standard & Poor's Index | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |

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| Year | Vol. | Page |
|------|------|------|
| 1987 | 202 | 1 |
| 1986 | 201 | 1 |
| 1985 | 200 | 1 |
| 1984 | 199 | 1 |
| 1983 | 198 | 1 |
| 1982 | 197 | 1 |
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TUESDAY, SEPTEMBER 15, 1987

INTERNATIONAL STOCK MARKETS

As Fever Grips Provinces, Madrid Share Index Soars

By ANDREW HURST

Reuters

MADRID — Investors attracted by Spain's booming economy are on a feverish buying spree on the Madrid stock exchange, where share prices rose Monday to record levels. Analysts believe that the Madrid bourse, which accounts for more than 80 percent of stock trading in Spain, is about to become Europe's top performing exchange for the second year in a row.

Hundreds of thousands of small investors are switching out of Treasury bills or deposit accounts and putting them into stocks, often for the first time. "People in the Spanish provinces are investing undeclared income in the bourse and are proving to be a driving force in the market this year," said Alvaro Llanos, a stock analyst with the Madrid financial firm Invescor.

Undeclared income, much of it earned in a thriving underground economy, finds a refuge from the tax collector at the exchange, where shares carry anonymous bearer certificates.

Also helping to boost values are a sharp increase in company profits and an influx of money from institutional investors. Engineering stocks led the upswing as speculative stocks such as Tabaco, Altos Hornos and Olaria surged. The chemical sector was buoyed particularly by Croe, which shot up by 123 points or 10 percent.

MADRID's all-share index closed at a record 316.42 Monday, surpassing the high of 314.76 set Sept. 2. The new level reflected a 55 percent climb since May 8, when the index fell to 202.89 as the Bank of Spain, concerned that it was losing control of credit growth, raised interest rates.

Dealers said that all sectors registered strong gains Monday, reflecting a flood of orders from private and institutional investors. Engineering stocks led the upswing as speculative stocks such as Tabaco, Altos Hornos and Olaria surged. The chemical sector was buoyed particularly by Croe, which shot up by 123 points or 10 percent.

In August, the value of all shares traded on the Madrid bourse amounted to 392.55 billion pesetas (\$3.25 billion), up from 117.86 billion pesetas in August 1986. Statisticians estimate that foreign investors account for about 25 percent of trading.

But some analysts fear that prices have risen too fast and many new investors buy indiscriminately.

"Many stocks in weak companies have been bid up in the expectation of a takeover," he said. "If the takeover bid fails to materialize, then some of these shares sooner or later are going to plummet."

Jaimie Carbo, a director of the Spanish fund manager Asesores Bursátiles, said, "In recent days, the market's rise has begun to look overdone."

"I would not be surprised to see a technical correction. But we still have a basis for a strong bourse performance till the end of the year."

More financial news on Pages 19, 21.

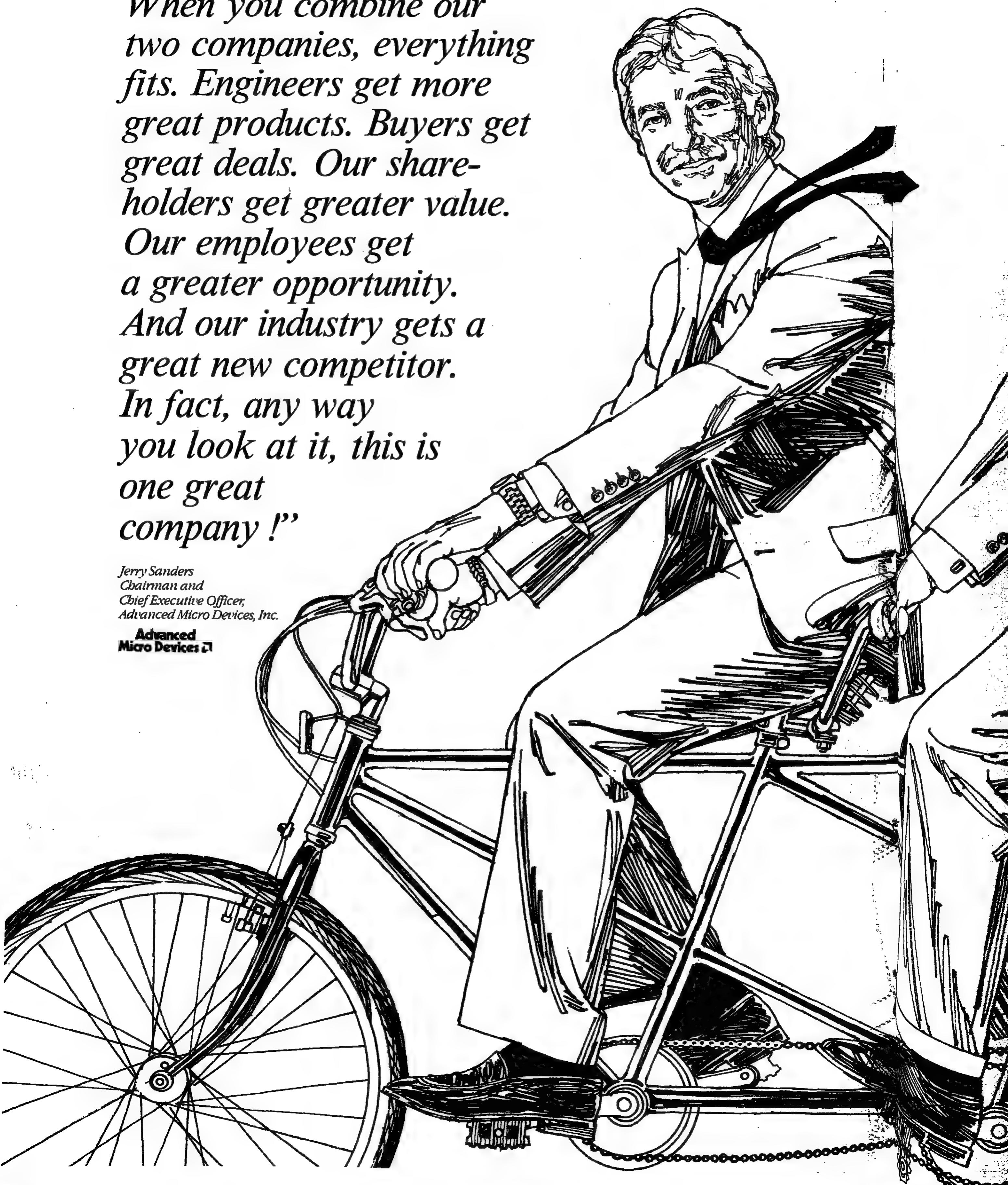
Currency Rates

| Cross Rates | | Sept. 14 | |
|---------------|---------|----------|---------|
| U.S. dollar | 1.3465 | 1.3465 | 1.3465 |
| British pound | 2.3725 | 2.3725 | 2.3725 |
| French franc | 13.2077 | 13.2077 | 13.2077 |
| German mark | 1.3707 | 1.3707 | 1.3707 |
| Italian lira | 1.3160 | 1.3160 | 1.3160 |
| Swiss franc | 1.3160 | 1.3160 | 1.3160 |
| Yen | 1.3160 | 1.3160 | 1.3160 |
| Other Dollars | 1.3160 | 1.3160 | 1.3160 |
| Other Pounds | 1.3160 | 1.3160 | 1.3160 |
| Other Francs | 1.3160 | 1.3160 | 1.3160 |
| Other Marks | 1.3160 | 1.3160 | 1.3160 |
| Other L | | | |

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*Jerry Sanders
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Chief Executive Officer,
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Luxembourg's Private Side

Japanese Becoming Key Players

By Giles Merritt

LUXEMBOURG — Japanese banks in Luxembourg are getting stronger and stronger. Their balance sheets show that business is booming, and in number they are fast becoming one of the biggest national contingents in the Grand Duchy.

There are at present seven Japanese banks in Luxembourg, but with the likely arrival before the end of the year of three more — Sanwa Bank, Mitsubishi Bank and Mitsui Bank — Japan will have overtaken Switzerland, France, Italy and Sweden to become No. 4 in Luxembourg banking.

The first Japanese bank, the Industrial Bank of Japan, arrived in Luxembourg in 1975 and since then a steady trickle of Japanese newcomers has followed. Now their names read like a mini-Who's Who of Japanese banking: Taiyo, Kobe, Fuji, Nikko, Securities, Bank of Tokyo, Dai-Ichi Kangyo Bank and Sumitomo Trust and Banking.

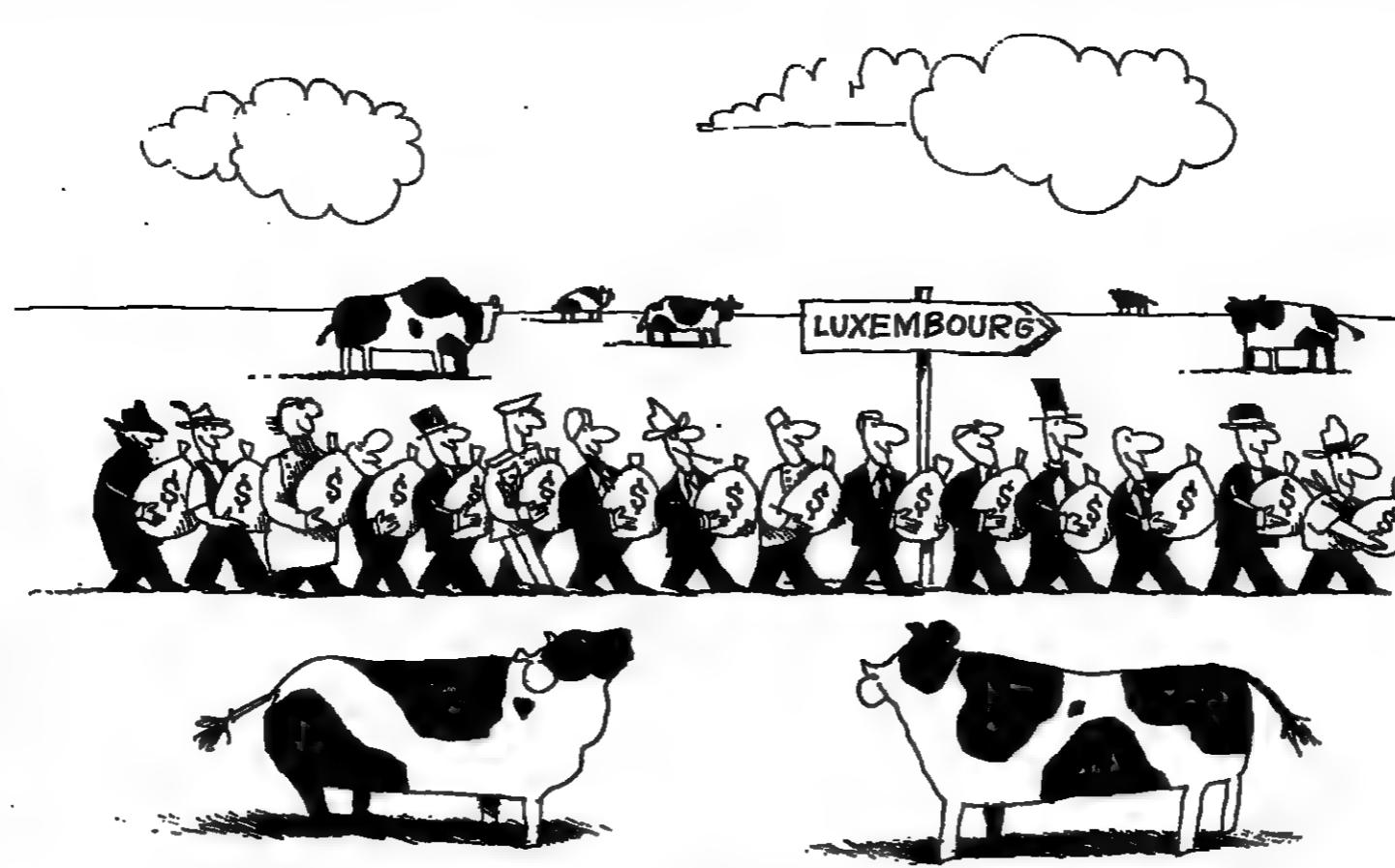
The business that has attracted these Japanese banks to Luxembourg has changed, but the banks themselves have all achieved steady growth in their operations. The Bank of Tokyo, for instance, recently moved into three floors of spacious new offices in order to house a staff that has doubled to 40 people in the past 18 months.

Initially, the Japanese came to Luxembourg to take advantage of its flourishing Euromarkets and syndicated loans sector, its easier lending terms and lack of reserve requirements. The story goes that the Industrial Bank of Japan had in fact planned to set up in West Germany, but a feasibility study showed that many German banks were at that point gravitating toward Luxembourg, so the bank followed suit.

Since then, the Grand Duchy's attractions for the Japanese have widened. Luxembourg's sympathetic attitude to the ways in which banks with substantial Third World loans outstanding can write-down these liabilities against tax has proved a substantial incentive. Luxembourg allows banks to list such loans to Third World debtor nations at face value on the asset side of their balance sheets and also permits them to discount these "problem loans" on the liabilities side.

Protections against loans are much

Continued on page 16



Tracking the Funds Renaissance

By Edward Roby

LUXEMBOURG — Investment funds, which fell into disfavor in the decade of the seventies, have become a growth business in Luxembourg again.

Some 300 funds were listed on the Luxembourg Stock Exchange at the end of last year and 245 funds were organized under Luxembourg law. Their total assets are probably now approaching the level of 1 trillion Luxembourg francs (\$26.3 billion). The Luxembourg Monetary Institute reported that the 209 registered Luxembourg funds in existence in mid-1986 already had total assets of \$82 billion Luxembourg francs.

The growth curve began rising in 1983, when the Grand Duchy passed a law that redefined the legal status of the funds and provided some new tax incentives for them. In that year, Luxembourg Monetary Institute statistics showed, there were only 99 registered Luxembourg funds with total assets of 303 billion francs.

Currently, said Jean Pierson, a member of the Banque Paribas (Luxembourg) executive board who specializes in funds and holding companies, there are "new ones starting up every week."

The renaissance of the funds industry obviously owes a lot to the global boom in stocks and bonds in the past couple of years. But it also coincided with the decline in Euromarket lending and the shift toward private banking in Luxembourg's financial center.

For Eurobanks seeking to develop their business with private customers, the investment fund offers a useful vehicle for investment managers and advisers to manage a large block of money economically without having to serve a large number of clients.

"Everybody is trying to put their private clients into funds," Mr. Pierson said. "You can see bankers at all the cocktail parties in the city, but the people at the funds are working."

He called the fund phenomenon a sign of the continuing "democratization of investment banking." Banque Paribas runs a diverse collection of 28 funds in Luxembourg and Mr. Pierson said the business is booming.

"Even with the fall of the dollar the value of investment fund assets was up by 65 percent at my bank in 1986," he said.

The bond market has cooled off this year and stocks could be heading for a correction after their record-setting performances. But Mr. Pierson predicted there will not be any crash for funds that are well managed, although he conceded "1987 is not going to be an easy year."

The assortment of funds is so diverse that some of them are bound to turn up winners, whatever happens. Offshore mutual investment funds dealing in gold stocks, for example, have been the hottest performers anywhere so far in this year of uncertainty.

Shares of some leading offshore gold funds have notched gains of well over 50 percent in the first quarter of 1987. Although gold itself has not shown anything near this spectacular rise, anxiety about the dollar, interest rates, inflation, the sovereign debt crisis and the outlook for international commerce is apparently stampeding capital into gold issues.

Continued on page 18

Duchy's Focus: Small Customer With Hefty Assets

"There is a lot of money in private hands looking for a safe haven."

By Giles Merritt

LUXEMBOURG — If Luxembourg were not so resilient and adaptable it would not be here today. This tiny parcel of 999 square miles (2,588 square kilometers) of land has remained an autonomous city-state for over 1,000 years and has somehow avoided being swallowed up by France or Germany. The same qualities are today permitting it to prosper as an offshore financial center.

Despite some daunting changes in the nature of its bread-and-butter banking business, Luxembourg continues to prosper. The syndicated Euroloans that were the basis of its spectacular growth since the mid-1960s have tumbled, both in volume and profitability, yet Luxembourg has not faltered.

In the same way that Luxembourg has adroitly switched the focus of its economy from steel to financial services, its banking community has been switching from syndicated loans to lucrative new areas like the management of private investors' fortunes, mutual funds and even reinsurance.

Treasury Minister Jacques Poos observes, with no little satisfaction:

"Banking accounts for 15 percent of gross domestic product, 7 percent of the total labor force and 20 percent of government revenue. It also transforms a trade deficit into a large current account surplus."

"We are all very optimistic nowadays," said Wolfgang Baetz, who heads Dresdner Bank's substantial operations in Luxembourg. In an interview, Mr. Baetz pointed out that 23 percent of his balance sheet is now made up of private deposits. "There is a lot of money in private hands that is looking for a safe haven," he noted.

Indeed, if the global economy were to grow at anything like the rate of the Luxembourg banking sector, the world would be a very different place. Year on year, apparently oblivious to the vicissitudes of economic conditions elsewhere, the Grand Duchy's banking community has been achieving impressive growth.

The combined balance sheet of the 122 banks in Luxembourg at the end of 1986 had risen by 5 percent over the year before to 8 trillion Luxembourg francs (\$200 billion). And according to Jean-Nicolas Schmitz, a director of the Luxembourg Monetary Institute, the Grand Duchy's regulatory and central banking authority, the balance sheet total of the Luxembourg banking banks in today double the 4 trillion Luxembourg franc figure reached in 1980.

That rate of real growth, Mr. Schmitz said, has been sustained throughout the 1980s. Indeed, the balance sheet total of the Luxembourg banking banks in today double the 4 trillion Luxembourg franc figure reached in 1980.

This year, too, has seen the same expansion, as well as the arrival of four more banks. The newcomers are Banque de Grod, the Belgian private bank; Baumann, of Switzerland; Nobis, a West German private banking

Continued on page 16

MARKET Minded

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s of the Law

of the 126 banks established in Luxembourg now serve private clients with an account of money — to be held in trust. Some 32,000 clients are now using funds from many more than they have not brought in since the minimum. The problem is that there is not enough funds to cover costs and increased competition.

However, now that the "Big Four" required banks to hold business in Luxembourg, now private banking can be done. Now private banking has grown so big here that it invites comparison to Switzerland.

The potential rewards prompted Deutsche Bank this year to abandon its strictly wholesale strategy in Luxembourg, permitting its Luxembourg subsidiary to take private customer deposits in cash, securities and gold, extend credit to private borrowers and arrange for portfolio management services. Most of the other Eurobanks in the Luxembourg financial center had a head start in the field and were reporting astounding growth.

Luxembourg already had a well-developed infrastructure to deliver diversified financial services to wealthy private customers so it was just a matter of time before the Eurobanks exploited the opportunity. sandwiched among the prospering economies of West Germany, France and Belgium, the Grand Duchy has a stock exchange, a central clearing house, excellent communications, a bilingual pool of qualified banking personnel and laws that provide generous tax dispensations for foreigners.

The Luxembourg government, in a farsighted move, enacted a banking secrecy law in 1981 that matches Switzerland's. And the shock of the sovereign debt crisis the following year forced the sovereign banks to look beyond their syndicated lending forte to the developing possibilities in securities and foreign exchange trading and private banking.

In general, there is no doubt that business with private customers is headed for very significant expansion in the future," said Volker Burghagen, managing director of Compagnie Luxembourgeoise de la Dresdner Bank. "One sees a strong and continuous growth."

Given the confidential nature of private banking activities, this expansion is not easy to quantify. But there are some telltale signs.

Banking in Luxembourg has become more labor intensive, suggesting a shift away from the traditional

IDEAS IN BUSINESS

Based in Luxembourg, D.C.

Switch for Eurobanks

By Edward Roby

LUXEMBOURG — Providing financial services to wealthy private customers was a mere footnote to the bustling Euromarket banking business in Luxembourg at the start of this decade. Now private banking has grown so big here that it invites comparison to Switzerland.

The potential rewards prompted Deutsche Bank this year to abandon its strictly wholesale strategy in Luxembourg, permitting its Luxembourg subsidiary to take private customer deposits in cash, securities and gold, extend credit to private borrowers and arrange for portfolio management services. Most of the other Eurobanks in the Luxembourg financial center had a head start in the field and were reporting astounding growth.

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Banking in Luxembourg has become more labor intensive, suggesting a shift away from the traditional

wholesale banking focus. Employment with the center's banks rose last year to 11,398 from 10,213 the previous year, and Treasury Minister Jacques Poos recently identified the training of staff for the banking center as "one of the major challenges."

Deposits from nonbanks were up 21 percent in the first 11 months of last year to more than 100 billion Deutsche marks (\$50.6 billion). The pace of growth in this area was double that of the previous year.

Jürgen Lemmer, managing director of Commerzbank International, said his Luxembourg Commerzbank subsidiary has been offering private banking services since 1972 but that this business really began to blossom in 1980. That was the year he said that Commerzbank decided to handle all gold investments for its West German clients from Luxembourg.

Luxembourg, unlike West Germany, does not levy a value-added tax on gold transactions. Thus a German investor can buy and sell gold certificates, for example, in absentia through the Luxembourg subsidiary of his West German bank without being subject to the double-digit VAT.

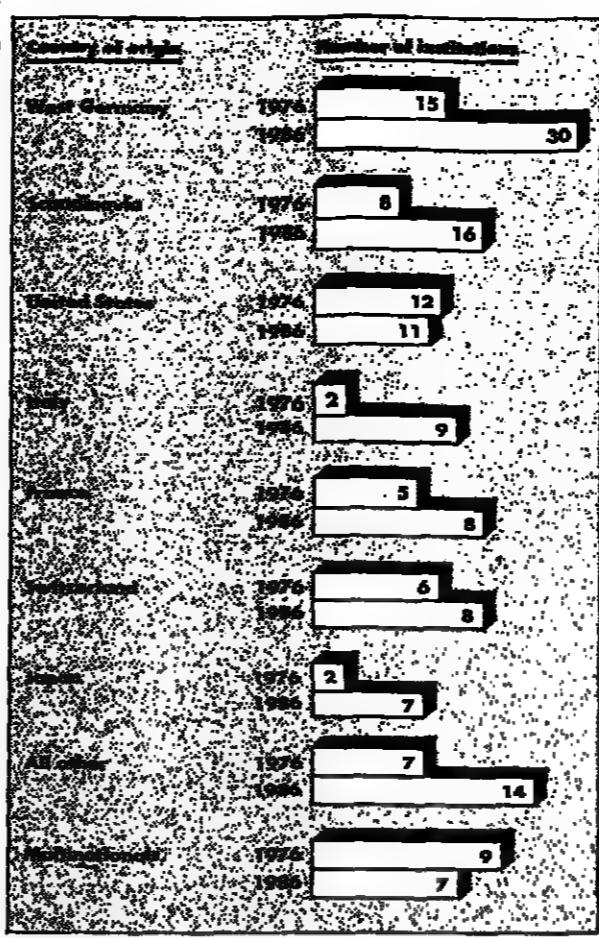
Mr. Lemmer described this business as "extraordinarily good" and "very expensive." Commerzbank International's customer deposits grew to 3.5 billion Deutsche marks at the end of last year from 2.5 billion Deutsche marks in 1985, he said. This is 20.5 percent of the bank's balance sheet total of 17 billion Deutsche marks.

DG Bank International, the Luxembourg subsidiary of Deutsche Genossenschaftsbank, doubled its nonbank deposits last year to 1.1 billion Deutsche marks, a spokesman for the Frankfurt parent bank said.

BFG Luxembourg, a unit of West Germany's Bank für Gemeinschaftschaft, is another Eurobank that handles private accounts and is preparing to offer its private clients portfolio management. The bank, which has total assets of about 9.5 billion Deutsche marks and ranks within the top 15 Eurobanks in Luxembourg, accepts savings deposits in all major currencies in the equivalent of at least 50,000 Deutsche marks, precious metals accounts worth at least 10,000 Deutsche marks and securities accounts.

How Foreign Participation Has Grown

Between 1970 and 1985, the number of banking and savings institutions in Luxembourg doubled, increasing from 37 to 76. Since 1976, growth has continued, although at a slightly slower pace, reaching 122 in 1986.



Nordic Bank Contingent Earns Its Independence

By Michael Metcalfe

COPENHAGEN — For the 16 Nordic banks with operations in Luxembourg, forming the second largest regional contingent after the West Germans, 1987 is turning out to be a year of going from one strength to another.

If 1986 was marked by expansion, integration and consolidation, this year will see the Scandinavians further developing their traditional lines of banking business, while not losing sight of the goal of launching new products and services.

Over the past decade or more, each of the banks from Denmark, Finland, Norway and Sweden has proved adept in creating a special place for itself in the fiercely competitive Luxembourg banking scene, adapting their corporate policies to meet a more specialized and more discerning demand from clients.

However, some common threads run through the reasons behind the Nordic banks' presence in Luxembourg.

"Clearly, the main development characterizing the Nordic banks in Luxembourg over the past five years or more has been the trend away from serving exclusively as a booking installation for their parent banks and toward coming into their own as fully fledged independent banking operations," said Ole Roed, managing director of Bergen International S.A., one of the Norwegian banks represented in the Grand Duchy.

The virtual elimination or scaling-down of regulations in most of the Nordic countries prohibiting domestic banks from extending foreign currency loans to domestic corporations has brought a change in the policy direction of their Luxembourg subsidiaries.

No longer compelled just to book loans for their corporate clients in the Nordic area, the Luxembourg units were free to expand their activities into other banking areas, including private banking, portfolio management, mutual and investment funds.

The area of private banking has proved lucrative because, whereas bank deregulation and financial market liberalization have removed many of the barriers to Scandinavian corporate banking, relatively severe foreign exchange controls restricting the flow of capital by individuals of the Nordic countries will remain in place.

But the private banking services of the Nordic subsidiaries are not just restricted to expatriate Scandinavians living out their days on the beaches of Spain or Portugal.

"We have widened our private investment banking services not only to encompass expatriate Danes but also offering a broad spectrum of private banking, including currency deposits, Euromarket instruments of all varieties, investment advisory services, portfolio management and fiduciary services," noted Jan Kristensen, managing director of Privatbanken International (Denmark) S.A.

Expansion in Privatbanken's case during 1986 was marked by an increase in its Luxembourg staff from 44 to 62, as well as a move into larger premises from the start of this year.

The same developments apply to many of the other Nordic subsidiaries, including Finland's Kansallis International Bank S.A. and Norway's Christiania Bank Luxembourg S.A.

But the most striking proof that the Scandinavian banks' presence in Luxembourg is far from saturated is the arrival of a newcomer to the Nordic fold.

As of January of this year, First Nordic Bank S.A. opened its doors on Luxembourg's Grand Rue. And according to the managing director, Björn Bergesen, "the bank is running well and according to expectations." With initial fully-paid-in capital of 550 million Luxembourg francs and currently employing 16, the new bank is clearly embarked on a course of expansion.

Its shareholders are made up of a group of Norwegian and Danish savings and commercial banks. We have tried to avoid the consortium banking concept, which has failed in the past," Mr. Bergesen said.

First Nordic Bank's two main goals lie in investment banking and merchant banking. As well as the priority of building up the bank's customer deposit base over the first two years of the bank's operations, it will try to spread the net of its corporate clients.

First Nordic Bank is not the first bank from the region to have a composition of shareholders from the various Nordic countries. Banque Nordoreurope S.A. (BNE) is made up of Danish, Finnish and Swedish central banks acting for the respective countries' savings banks.

Well into its 14th year of operations in Luxembourg, BNE has adopted the strategy of diversifying its activities with the aim of offering a comprehensive range of banking services, consequently benefiting from several diversified sources of income.

In line with this strategy, BNE in the financial year 1986-1987 ended March 31, substantially increased its activities in securities, foreign exchange and private banking and, according to its annual report, "made good progress in redirecting its lending towards specialized and more profitable forms of financing."

Branching out into new areas of financial activity has also encompassed the fast-growing investment fund sector. Several of the Nordic banks based in Luxembourg have added this to their banking services.

Scandinavian banks are also well represented in the Grand Duchy, including subsidiaries of Kansallis-Osake-Pankki and Union Bank of Finland, which primarily serve Finnish corporate clients rapidly expanding their activities overseas, but which also participate actively in the Eurobond markets and are building up their private banking networks.

For the Swedish banks, including Skandinaviska Enskilda Banken, Svenska Handelsbanken and PKBANKEN, maintaining subsidiaries in Luxembourg means primarily meeting the financing requirements of Swedish companies and their network of subsidiaries abroad.

While banking in Luxembourg will become an increasing challenge for the Nordic banks represented here, it appears more than likely that they are here to stay. "I don't think Nordic banks will become superfluous in Luxembourg," said Mr. Kristensen of Privatbanken International.

MICHAEL METCALFE is a journalist based in Copenhagen and a correspondent for *Business International*.

Italian Influx Expected With Deregulation

By Dalbert Hallenstein

Ten of Italy's largest banks are now operating in Luxembourg and two others have been given permission to trade in Luxembourg by the Italian and local monetary authorities.

"Our business is continually increasing in volume," said Corrado Amari, deputy director in Luxembourg of the Rome-based Banca Nazionale del Lavoro, Italy's largest trading bank. "Deregulation," he said, "can only have the effect of increasing Italian banking activity here in Luxembourg."

Most of Italy's mutual funds and more than 1,000 Italian holding companies are represented or situated in Luxembourg, which is much admired in Italian financial and banking circles for its operating efficiency as well as its rigidly bank secrecy laws.

During a trip to northern Italy in June to promote Luxembourg as a center for sophisticated small and medium-sized high-tech industries, Prince Henri of Nassau, the heir to Luxembourg's head of state, said that "it's true that our advantages, in terms of the freedom of movement of capital, will eventually undergo change as a result of EC currency and banking deregulation."

He added, however, "that the future of Luxembourg cannot be left purely in the hands of high finance, but must also have a dynamic productive sector."

"The fact is," said Mr. Amari of the Banca Nazionale del Lavoro, "that the smaller Italian banks lack the experience for operating on the international equity and bond markets and will use Luxembourg's banking and financial facilities increasingly."

An executive of another major Italian bank in Luxembourg, the Turin-based Istituto Bancario San Paolo, thinks that Italian deregulation will lead to a new influx of smaller-sized Italian banks.

"London is more expensive than Luxembourg as far as operating costs are concerned," he said.

"For a small Italian bank with little experience abroad, Luxembourg represents smaller running costs and involves fewer professional risks."

DALBERT HALLENSTEIN is a Milan-based journalist and a contributor to *The Sunday Times*.

DGZ International. Your link to the Euromarkets.

DGZ International in Luxembourg, a wholly-owned subsidiary of Germany's Deutsche Girozentrale - Deutsche Kommunalbank -, has a team of Euromarket specialists complementing the financing capabilities of the parent bank. DGZ International mainly concentrates its activities on money market trading and money market related credit operations. Foreign exchange dealings round off a comprehensive Euromarket service spectrum.

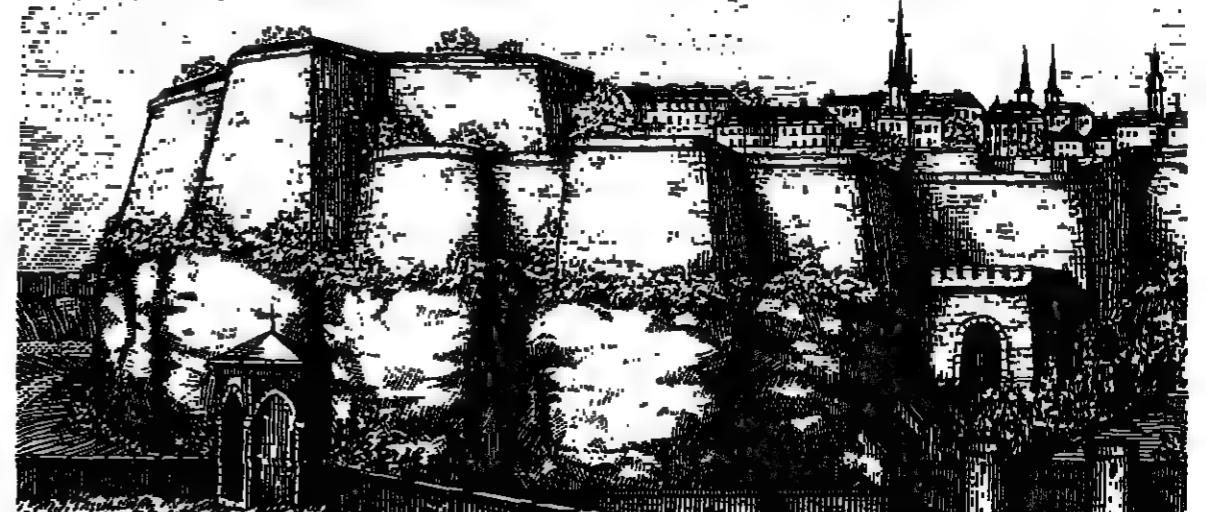
DGZ International has been operating in the Euromarket for more than 15 years now, and it is recognized as one of the leading wholesale banks in Luxembourg. The Frankfurt-based Deutsche Girozentrale - Deutsche Kommunalbank - is one of Germany's major banks, the member institution on the federal level of Germany's Savings Banks Organization.



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BUSINESS ROUNDUP

Chemical to Cut Staff, Take a Charge

The Associated Press
NEW YORK — Chemical New York Corp. said Monday that it planned to cut its work force by 10 percent, or about 2,100, and sell several businesses to strengthen its performance.

The bank holding company, the fourth largest in the United States, said it would take a one-time charge of about \$135 million in the third quarter to cover severance pay and other related expenses.

That will result in a third-quarter loss of \$65 million, it said. Chemical earned \$99.1 million in last year's third quarter.

The company said it would sell some businesses that did not fit in its strategic plan, including its

Cleveland-based consumer finance subsidiary, Chemical Financial Services Corp. It did not name the other businesses.

Chemical and other major banks have been faced with increasing pressures on their earnings and capital because of losses on loans to developing nations, the slump in the energy and agricultural sectors and heightened competition from nonbank institutions.

In June, Chemical added \$1.1 billion to its reserves for possible loan losses, resulting in a loss of \$1.1 billion in the third quarter, compared with a profit of \$96 million a year earlier. It anticipated a loss of \$710 million for the year.

Chemical said the decision to re-

duce its staff was expected to result in pretax gains of about \$150 million annually.

It said it would cut its work force through layoffs, attrition and voluntary departures. Chemical has about 21,000 employees.

The cuts will not affect Chemical's subsidiary Texas Commerce Bancshares Inc. of Houston, which has been operating under a "strict austerity program" for the past three years. Chemical merged with Texas Commerce on May 1.

The company declined to specify which subsidiaries would be subject to job cuts.

Chemical said it expected an estimated \$300 million in pretax gains from the sale of businesses.

It said proceeds from the sales, which it expects to complete next year, would be used to build equity and support businesses that meet its strategic objectives and provide an attractive return on investment.

"We are concentrating Chemical's resources on areas of business where we can achieve scale and significant market position," said Walter V. Shipley, Chemical's chairman.

The four-year spending plan intends to extend the country's phone network to provide 30 main lines for each 100 inhabitants, compared with the 25 lines at the beginning of this year, the officials said.

They added that Telefónica probably would sign a joint-venture agreement with the Soviet Union next month involving telecommunications equipment. The group is also looking into the possibility of buying companies in Latin America, they said, but gave no further details.

Telefónica to Increase Capital For 1988 Spending Plans

Reuter
PARIS — Spain's semipublic phone company is planning to increase its capital soon to help finance investment in 1988 totaling around \$2.65 billion, company officials said.

The spending by Compañía Telefónica Nacional de España is part of a four-year investment plan through 1990 totaling about \$10 billion, aimed at improving the country's communications network.

The group intends to raise just over half of the 1988 sum on U.S. and European financial markets, partly through an increase in equity and partly through a bond issue, officials said. Details are expected to be completed later this month.

The Spanish government, which holds 32 percent of the group's capital, will take up its rights to the equity increase in proportion to its current stake.

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Ferruzzi Buying Central Soya Co.

Reuter
RAVENNA, Italy — Gruppo Ferruzzi said Monday that its holding company, Ferruzzi Agricola Finanziaria, had agreed to acquire Central Soya Co. for around \$170 million.

Ferruzzi, a fast-growing agribusiness and financial empire, is to purchase the food processor, based in Fort Wayne, Indiana, from Shamrock Capital LP. Under the accord, Ferruzzi would also take over a \$195 million bond issue. No further details of the bond were made public.

Ferruzzi said the agreement was subject to the completion of certain formalities.

Shamrock Capital, a limited partnership of the Roy E. Disney family, acquired Central Soya in 1985. Shamrock gave the purchase price as \$303 million.

SEC Zeroes In on a Takeover Tactic

New York Times Service
WASHINGTON — The Securities and Exchange Commission is expected to take a step this week toward abolishing a controversial tactic used in corporate takeovers.

The five commissioners are expected to vote on Wednesday to seek public comment on a proposed rule that would restrict open-market purchases of more than 10 percent of a takeover target's stock.

The restriction would apply if a tender offer for the company was under way or had just ended, commission officials said.

In several takeover battles in recent years, controlling blocks of a target company's stock have been bought on the open market, largely from arbitrators, at the end of a tender offer. The practice is known as "sweeping the market."

In 1985, for example, quick purchases totaling 30 percent of SCM Corp. were made by the British conglomerate Hanson Trust PLC, ending a bidding war. Hanson

bought the 3.1 million SCM shares in one afternoon after it had dropped its tender offer.

The commission staff believes that such large purchases can constitute an illegal tender offer, forcing ordinary shareholders to sell their stock under pressure if they hope to receive the same price being paid to arbitrators.

"The intent of the proposal is to address the real problem — purchases that use the market pressures of a tender offer against investors," Daniel L. Gochnor, the SEC's general counsel, said in a speech this summer.

A final vote on the proposal will not take place until after the SEC reviews any public comments it receives. The process is expected to take several months.

Action by the SEC will be closely watched in Congress, where about 20 bills have been introduced to alter the procedures for tender offers and related Wall Street matters.

The proposed SEC rule would prohibit "purchases, offers to pur-

chase, arrangements or understandings to purchase or solicitation of offers to sell" that would result in anyone's increasing a holding in a takeover target by 10 percent until 10 business days after the end of a tender offer.

Bidders for the company would have to wait longer, 30 days, before passing the 10 percent threshold.

Purchases of an amount of shares greater than 10 percent could still be made by a formal tender offer, which is subject to SEC supervision and must extend for at least 20 days.

A final vote on the proposal will not take place until after the SEC reviews any public comments it receives. The process is expected to take several months.

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Sony's Interest in Video Software Led to Talks on CBS Records

Reuter
TOKYO — Sony Corp. said Monday that its attempt to buy the records group of CBS Inc. could enable it to acquire video software, one of Sony's main goals.

A Sony spokesman said negotiations with CBS about the records group, the largest U.S. record company, were still not specific.

The acquisition of CBS Records would enable Sony to move into the lucrative market that includes compact-disc videos and high-definition television, the spokesman said. One analyst said Sony hoped to set up movie theaters using the new television technology.

The upscale CD and HDTV market continues with the mid-to-low-range market, in which profit margins have been slashed by the strength of currency markets and by competition from newly industrialized Asian nations.

Sony said Friday that it would eventually bid to Sony's inquiry, made last week.

Last year CBS rejected an offer from Sony to acquire the record division for \$1.25 billion. Sony has continued to maintain that it is not interested in selling the division.

CBS Records has recently been a star performer, helping to offset a slump in the company's core business of broadcasting. Operating profit for 1986 at \$162.1 million on sales of \$1.49 billion, accounted for 31 percent of the company's total revenue.

Some Suzuki Rawle, a consumer electronics analyst at Barclay's de Zoete Weill, said Sony's planned acquisition of CBS Records, with its stable of superstars, such as Michael Jackson and Bruce Springsteen, could help Sony to develop compact-disc videos. CDVs, which hold 20 minutes of music and 5 minutes of images, are especially suited for music videos.

"The success of CDVs will lead to success of the laser disk," Ms. Rawle said. She added that CDVs were in position to "take off" in part because of the eagerness of Philips NV of the

Netherlands to market them in the United States.

Buying the CBS record group would also strengthen Sony's ability to control and direct production of optical software and hardware, she said. Sony and CBS already cooperate in that area with a highly profitable joint venture.

In addition to music and video, optical products such as compact discs and laser disks have many uses as data-storage devices. Sony hopes to develop markets for read-only compact discs, as well as erasable CDs, for both industrial and consumer markets, she said.

Sony also plans to develop a chain of movie houses using high-definition television technology, an analyst at a major Japanese securities house said.

The demands for the technology "will total 30 trillion yen (\$210 billion) by the year 2000, but the key to developing HDTV is software," the analyst said.

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C&W: Li Group Buys 4.9% Stake

Associated Press
Kuala Lumpur — C&W, the Hong Kong Electric's rights issue, will be a one-for-five offering to produce 2,420 million, the four companies voluntarily suspended trading their shares on the Hong Kong Stock Exchange, where the transaction amountment weakens the market. At midday, the Hang Seng Index had lost 46 points but later recovered to close down by 3,649.84.

On Friday, Cheung Kong shares closed at 12.90 dollars, Hutchinson at 14.20, Cavendish at 12.50 and Hong Kong Electric at 12.50.

C&W's shares closed lower at 12.50 cents Monday on the London Stock Exchange, after Friday's 12.50 cents.

C&W, which operates in 50 countries and employs over 24,000, has two major units in Hong Kong, C&W Hong Kong Ltd. and Hong Kong Telephone. Recently, the company has participated in joint ventures in China to provide telecommunications networks.

Some share analysts believe Mr. Li's interest in C&W stems from the British company's controlling interest in Hong Kong Telephone.

Both Hong Kong Telephone and Hutchinson Telecommunications, a subsidiary of Hutchinson Whamco, have formed consortiums to bid for a highly lucrative cable television contract in Hong Kong.

Sir Eric Sharp, C&W's chairman and chief executive, said Mr. Li's purchase "was a surprise to us."

Although the state would represent the largest foreign shareholder in the company, Sir Eric said, C&W "remains quite comfortable and relaxed" about the Hong Kong businessman's interest. The British

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Times Mirror Agrees to Sell Denver Post to Media News

The Associated Press

DENVER — The Times Mirror Inc. said Monday that it had agreed to sell the Denver Post to an affiliate of Media News Group Inc. of Dallas for \$95 million.

The affiliate, Denver Newspapers Inc., is owned by Richard R. Scudder and William Dean Singleton. Media General Inc. of Richmond, Virginia, also will be a financial participant in the transaction and will have the right in the future to acquire a 40 percent interest in the Post, Times Mirror said in Los Angeles. The agreement is subject to government approval.

Times Mirror will retain ownership of the Post's downtown land and buildings, valued at about \$20 million, and will lease those facilities to the Post for up to five years. The sale includes the Post's new production facilities on a 45-acre (18-acre) site northwest of central Denver.

Times Mirror said the decision to

Whitbread Buys Distiller for £170 Million

Compiled by Our Staff From Dispatches

London — Whitbread & Co., the British brewer, said Monday that it had agreed to acquire the James Burrough PLC distiller for about £170 million (\$280 million).

The distiller, in which descendants of James Burrough own 70 percent of the business, also produces vodka and rum.

Sam Whitbread, the brewer's chairman, said he wanted to build up his company's liquor business.

James Burrough was one of the few major independent companies still largely in private hands and the new Whitbread share would be exchangeable for 33 pence in cash.

Whitbread said that when the offer was complete, Mr. Burrough, who will remain as the distiller's chairman, would also join the board of Whitbread as a nonexecutive director.

(Reuters, AP)

to sell a company that had been an independent family business for 160 years, but the international beverage market had "changed so significantly that we now need to be part of a larger organization."

In an offer comprising shares and cash, Whitbread is offering 2,149 class A shares with limited voting rights and 480 pence in cash for each ordinary share in Burrough. The offer values each Burrough ordinary share at £12.

Whitbread said full acceptance of the offer, excluding the exercise of options outstanding, would involve the issue of about 30.4 million of the class of A shares, representing about 7.35 percent of that

class of issued share capital. The cash payment would total £67.9 million.

Whitbread shares fell 3 pence to 332 pence after the purchase was announced.

The offer is flexible, allowing Whitbread shareholders to receive either a larger number of Whitbread shares or a larger amount of cash. Under the flexible offer, each new Whitbread share would be exchangeable for 33 pence in cash.

Whitbread said that when the offer was complete, Mr. Burrough, who will remain as the distiller's chairman, would also join the board of Whitbread as a nonexecutive director.

CURRENCY MARKETS

Dollar Rebounds on Short-Covering

Reuters

NEW YORK — The dollar gained Monday in New York and Europe amid continued short-covering after Friday's news of a record \$16.47 billion U.S. trade deficit.

"In the short term the market is buying the dollar," said a dealer with a U.S.-based bank in London. He said that operators were buying back dollars that they had sold in anticipation of even worse trade data for July.

The dollar closed in New York at 1.8180 Deutsche marks, off an earlier high of 1.8220 DM but up from 1.8075 DM at Friday's close. It rose to 144.55 yen from 143.90, to 6.0695 French francs from 6.0425 and to 1.5090 Swiss francs from 1.4975. The dollar also gained against the pound, which ended at \$1.6365, against \$1.6435.

Dealers described trading as largely technical. Many operators had taken short positions before the release of the trade data, they

pointed, which ended at \$1.6358, against \$1.6520 Friday.

The dollar failed Monday afternoon to break through what was described as a resistance point of 1.8225 DM in Europe, it subsequently fell back to trade steadily at around its closing levels of 1.8175 DM.

Dealers said that further attempts to push the currency higher were likely soon. One trader saw the upward limit for the dollar at around 1.83 DM, with a very strong support level on the downside at 1.79 DM. Dealers noted that the dollar had rebounded from around 1.79 DM Friday.

But most dealers remained convinced that the dollar's movement in the longer term would be down.

Earlier in European trading, the dollar was fixed in Frankfurt at 1.8177 DM, up from Friday's fixing of 1.8057, and in Paris at 6.0660 French francs, up from 6.0435.

MATIF Sets New Contract

Reuters

BURGENSTOCK, Switzerland — After two postponements, bond options contracts will begin trading in early November on France's financial futures market, its chairman said Monday.

Gerard de la Martiniere, the chairman, said in an interview that the exchange, known as MATIF, was also sticking to plans to follow the new bond options with a stock index contract and a contract on the European currency unit/dollar, both likely next year. He was in Switzerland for an international meeting of exchange heads, users and regulators.

The ECU/dollar aims at giving the exchange experience of a currency contract so it can move quickly to a French franc contract once the ban on lending francs to nonresidents is lifted by the National Assembly.

Options were to be introduced in mid-June. But the introduction was postponed until Sept. 3, and then was put off again after MATIF's computer system had problems coping with the sharp and unexpected increase in volume on the exchange.

Mr. de la Martiniere said volume was running at a daily average of around 90,000 contracts, up from just 25,000 or so early this year. By the end of 1987, it could be averaging as much as 200,000, he said.

MATIF will upgrade its existing computer system in time for the introduction of the new options contract, Mr. de la Martiniere said.

Later, it will gradually introduce new computer software and hardware.

Italy Issues Bonds For \$1 Billion

Reuters

ITALY — Italy borrowed \$1 billion in the international bond market on Monday, making one of the largest issues ever of Eurobonds, according to the investment bankers Credit Suisse First Boston Ltd., who arranged the deal.

The bonds pay investors 9 percent interest and come due for repayment in three years. In Rome, central bank sources said Italy would use the dollars it borrowed to boost its foreign currency reserves.

The record single Eurobond borrowing was Britain's issue to raise \$4 billion last year.

According to Britain's Department of Trade and Industry, the

| London | Dollar | Rates |
|-----------------|--------|--------|
| Closes | Mon. | Net |
| Deutsche mark | 1.8175 | 1.8180 |
| Swiss franc | 1.5090 | 1.5090 |
| Japanese yen | 144.55 | 144.55 |
| French franc | 6.0695 | 6.0660 |
| Pound sterling | 1.8175 | 1.8175 |
| Canadian dollar | 1.4975 | 1.4975 |
| Yuan | 1.79 | 1.79 |
| Other | 1.8175 | 1.8175 |
| Source: Reuters | | |

said, and the dollar's surprising resilience afterward forced them to cover themselves.

They said that a weekend meeting among European monetary authorities had little impact on trading.

But expectations of an improvement in the August trade gap from July's deficit may also have aided the dollar, some dealers said. Those expectations were encouraged by the steep decline in Japan's August trade surplus announced last week.

In London, the dollar ended at 1.8175 DM, up from 1.7980 DM Friday, and at 144.55 yen, up from 142.55. It also rose against the

value of the nation's exports to the Soviet Union fell 17 percent in the first half of 1987, to 2270 million from 2325 million a year earlier.

Narodny's pretax profit was nearly halved in 1986, to \$22 million from \$43 million in 1985. Net profit edged up 1.8 percent to \$11.1 million from \$10.9 million, while

its income from the financing of East-West trade contracts, a large slice of its profit comes from trading on its own account in the London foreign currency market. They declined to provide a figure.

Narodny also has been using sophisticated ways to raise money in the international markets. It raised \$35 million through an issue of floating-rate certificates of deposit last year, \$100 million through a floating-rate issue and \$20 million through note issues under what is known as a multiple option facility.

William Newman, a Briton who manages Narodny's economics department and has been with the bank in London for more than 20 years, said that Mr. Konychev represented a "new, young breed" of entrepreneurial-minded managers assigned to the Soviet bank.

He also points out that the bank has quietly eliminated some of its more evident socialist trappings.

To be sure, a colorful tapestry of the Kremlin hangs in the reception hall. "But the one thing that used to mark this bank as Soviet, the perennial shot of vodka before beginning a guest luncheon, is gone," Mr. Newman said. "I guess it's part of the general tendency in the City to make lunches light."

Recent Soviet legislation aimed at promoting joint ventures between Western companies and ministries in the Soviet Union has created an attractive new niche for the bank. Narodny envisions a dual role, as provider of export credit for the ventures and as an adviser to Western companies on the risk of various direct investments.

Narodny tends to concentrate principally on trade between Britain and the Soviet Union. But overall, acting independently or in cooperation with other banks, it has arranged financing since the beginning of 1986 for 85 Soviet import projects valued at a combined \$563 million (\$925.3 million).

The projects included exports from Britain, Canada, West Germany, France, Italy, Greece, Switzerland, Ireland, Hong Kong and the United States.

Officials of the bank said that while Narodny generates most of

FRANCE: Cuts Viewed as Political

(Continued from first finance page)

Also critical of Mr. Chirac's fiscal policies is Pierre Bergégo, finance minister under the former Socialist government. He called the tax "breaks" "time bombs" that would explode in 1988, forcing the next government to either raise taxes or severely curtail spending.

The tax reduction package, the economists suggest, may serve to soften the blow expected later this fall when a special commission delivers its report on how to bail out the country's nationalized health insurance and retirement system, which is facing a 33.6 billion franc deficit in 1988.

Meanwhile, business leaders, economists and politicians are intensifying the debate over whether tax incentives should be provided to stimulate business investment, which this year is expected to grow by only 4 percent.

Mr. Chirac has held out against such incentives, contending that they unfairly favor capital-intensive industries, while the Socialists and Raymond Barre, a former prime minister and a likely presidential candidate, believe them necessary.

TOSHIBA: U.S. Firms, Fearing Repercussions, Lobby Against Import Ban

(Continued from Page 1)

parts supplied by the Japanese company, sources in government industry and Congress said.

Toshiba manufactures consumer

electronic products, including radios, stereos, microwave ovens and cellular telephones, both under its own name and on specific orders of American companies that market the products under other brand names. But the products of concern to the major corporations now coming forward are generally high-technology components or parts used in computer systems.

The Senate version of the trade

legislation now awaiting action from a House-Senate conference committee includes language banning imports of Toshiba products for two to five years.

The ban would also apply to the products of Kongsheng Vaspensfjell, a Norwegian company involved in the same sale to the Soviet Union, but Kongsheng sells virtually no consumer items in the United States.

Officials in the electronics and high-technology industry said the American companies have begun to recognize that their relationships

with Toshiba and other foreign high-technology companies are so complex and intertwined that there is virtually no way to avoid serious economic damage.

There is no major company that could go under because of the sanctions, but we are talking about whole product lines or market areas where a company could be so hobbled that it would be forced to withdraw from the market," said Edward J. Black, vice president for the Computer and Communications Industries Association.

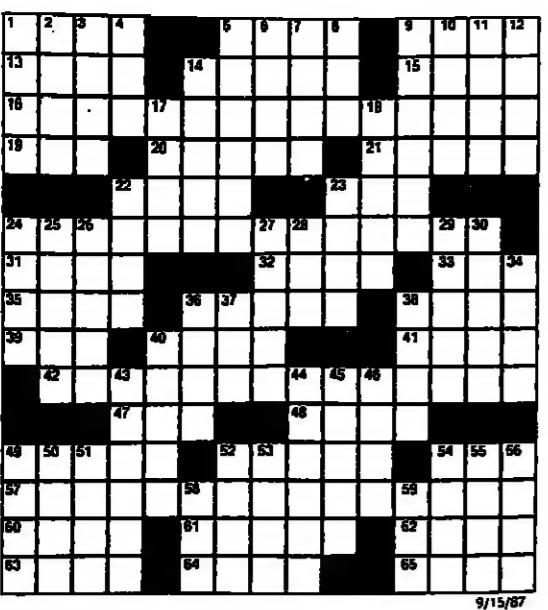
Others now involved include the American Electronics Association.

The administration is opposed to the sanctions.

Monday's OTC Prices

NASDAQ prices as of 4 p.m. New York time
Via The Associated Press

| A | | High | Low | Stock | Div. | Yld. | PE | Net | 4 P.M. Clos. |
|-------|------|------|------|-------|------|------|----|-----|--------------|
| 17 17 | ADC | 2024 | 2020 | 2020 | | | | | |
| 18 18 | ASIC | 481 | 479 | 479 | | | | | |
| 19 19 | ABF | 107 | 105 | 105 | | | | | |
| 20 20 | ACAS | 127 | 127 | 127 | | | | | |
| 21 21 | ACAS | 127 | 127 | 127 | | | | | |
| 22 22 | ACAS | 127 | 127 | 127 | | | | | |
| 23 23 | ACAS | 127 | 127 | 127 | | | | | |
| 24 24 | ACAS | 127 | 127 | 127 | | | | | |
| 25 25 | ACAS | 127 | 127 | 127 | | | | | |
| 26 26 | ACAS | 127 | 127 | 127 | | | | | |
| 27 27 | ACAS | 127 | 127 | 127 | | | | | |
| 28 28 | ACAS | 127 | 127 | 127 | | | | | |
| 29 29 | ACAS | 127 | 127 | 127 | | | | | |
| 30 30 | ACAS | 127 | 127 | 127 | | | | | |
| 31 31 | ACAS | 127 | 127 | 127 | | | | | |
| 32 32 | ACAS | 127 | 127 | 127 | | | | | |
| 33 33 | ACAS | 127 | 127 | 127 | | | | | |
| 34 34 | ACAS | 127 | 127 | 127 | | | | | |
| 35 35 | ACAS | 127 | 127 | 127 | | | | | |
| 36 36 | ACAS | 127 | 127 | 127 | | | | | |
| 37 37 | ACAS | 127 | 127 | 127 | | | | | |
| 38 38 | ACAS | 127 | 127 | 127 | | | | | |
| 39 39 | ACAS | 127 | 127 | 127 | | | | | |
| 40 40 | ACAS | 127 | 127 | 127 | | | | | |
| 41 41 | ACAS | 127 | 127 | 127 | | | | | |
| 42 42 | ACAS | 127 | 127 | 127 | | | | | |
| 43 43 | ACAS | 127 | 127 | 127 | | | | | |
| 44 44 | ACAS | 127 | 127 | 127 | | | | | |
| 45 45 | ACAS | 127 | 127 | 127 | | | | | |
| 46 46 | ACAS | 127 | 127 | 127 | | | | | |
| 47 47 | ACAS | 127 | 127 | 127 | | | | | |
| 48 48 | ACAS | 127 | 127 | 127 | | | | | |
| 49 49 | ACAS | 127 | 127 | 127 | | | | | |
| 50 50 | ACAS | 127 | 127 | 127 | | | | | |
| 51 51 | ACAS | 127 | 127 | 127 | | | | | |
| 52 52 | ACAS | 127 | 127 | 127 | | | | | |
| 53 53 | ACAS | 127 | 127 | 127 | | | | | |
| 54 54 | ACAS | 127 | 127 | 127 | | | | | |
| 55 55 | ACAS | 127 | 127 | 127 | | | | | |
| 56 56 | ACAS | 127 | 127 | 127 | | | | | |



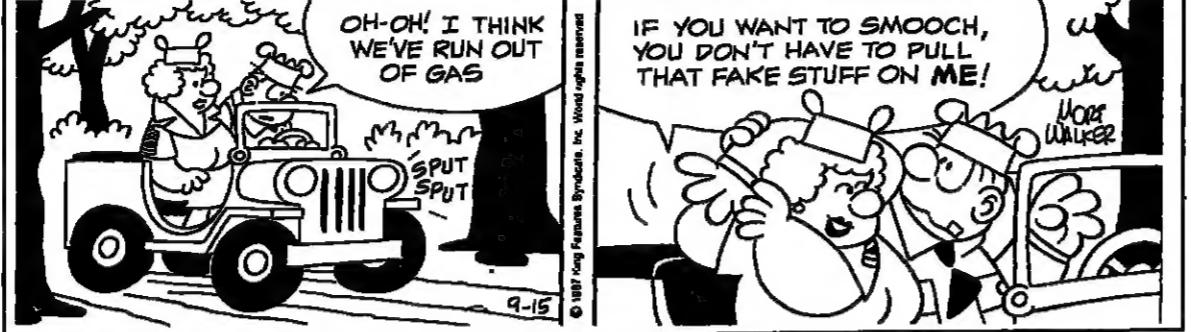
PEANUTS



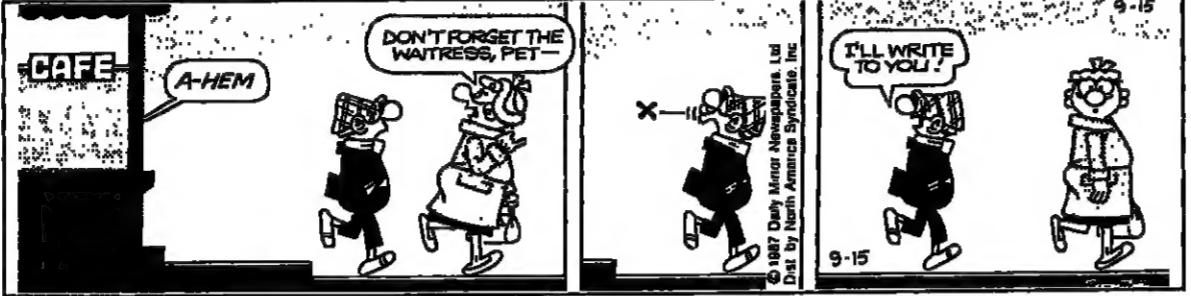
BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD of ID



ACROSS

- 1 Salver
- 5 Comic Wilson
- 9 Family name
- 13 Ship's creation at sea
- 14 Occupation
- 15 First-floor apartment
- 16 Words from John Lynn
- 19 Second-highest grade card
- 20 Gold of "Benson"
- 21 Tooth: Comb. form
- 22 Price
- 23 Fashionable resort
- 24 Words from George Herbert
- 31 Event for Irwin
- 32 Carol
- 33 Utter
- 35 Superman
- 36 Throw of TV's Hawkeye
- 39 Period
- 40 Flatfish
- 41 Twins or socks, e.g.
- 42 Words from Robert Burton
- 47 Corn unit

DOWN

- 1 Taunt
- 2 Deserve
- 3 Related
- 4 Nod's meaning
- 5 Snowman of song
- 6 Papa of TV's "Mama"
- 7 In a lazy way
- 8 Foot: Comb. form
- 9 As — gold
- 10 — many words
- 11 "I've — to London..."
- 12 Borscht ingredient
- 14 Contort
- 17 Cupid

18 Actor in "Fiddler..."

19 Penny

20 Torah

21 Snick and — repository

22 F.D.R.

23 Help!

24 Moslem faith

25 Gymnast Comanechi

26 Poker stake

27 Disavow

28 Kitchen or major suffix

29 Mulligan

30 Bufo

31 Concerning

32 Snick and — repository

33 Words from F.D.R.

34 Give off, as

35 Puccini heroine

36 Word with arm or stick

37 Rubber tree

38 Mimicked

39 Gaiters

40 Cleverness

41 Arterial trunk

42 Pro

43 Filled with reverence

44 Call

45 Moran of "Happy Days"

46 Glasswegian

47 Maximum

48 By (mechanically)

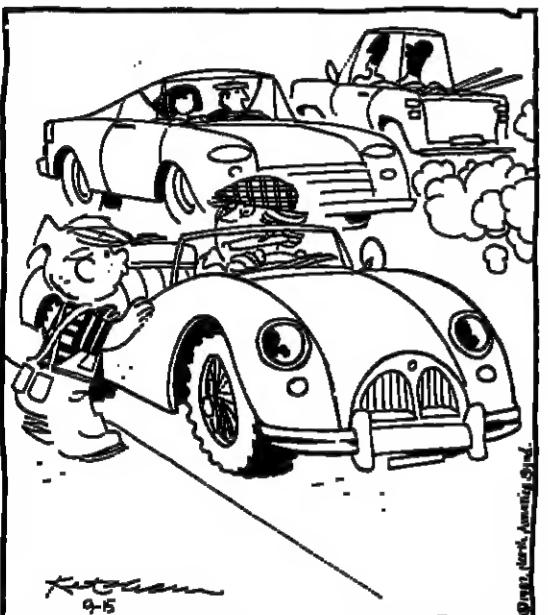
49 Recognized

50 Tea anagram

51 Petrol

© New York Times, edited by Eugene Maleska.

DENNIS THE MENACE



JUMBLE THAT SCRABLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

NABOR

EAZUG

ELYSEP

CLEMUS

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here:

(Answers tomorrow)

Yesterday's Jumble: GORGE FATAL BLOUSE PARADE

Answer: What the defendant's lawyer was using on the jury—TEAR "GAS"

WEATHER

EUROPE

High Low

Wind Wind

Clouds Clouds

Rain Rain

Temp Temp

Wind Wind

Clouds Clouds

Rain Rain

the central melodies, too, frequently in somewhat else's hands. Collier is entitled to question his son, whether he was a composer or not. Such conclusions are bound to grow in close readings of Collier's position. But whether or not the volume remains interesting on its own, it is a valuable work.

That's all that of

one piece,

such as

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Giants Versus Bears: A Super Game Even If Not a Super Bowl

By Frank Litsky

New York Times Service

CHICAGO — On paper, it was a team matchup: the New York Giants, who won the last Super Bowl, against the Chicago Bears, who won the previous Super Bowl. They had the best records, 14-2, in professional football last season and may be the two best teams this season.

Monday night's game would highlight the first weekend of the National Football League's strike-terminated season. But despite the people, the people concerned insist if it must be kept in perspective.

"It involves the last two Super Bowl champions," said Bill Parcells, coach of the Giants, "but it's not as big as it's made out to be."

"I don't know if the game can be as good as it's hyped up to be," said Kari Nelson, who has Hodgkin's disease. Roberts has shown progress, but he had to control an exceptional defense in Dan Hampton.

So both teams were concerned as they approached their opening-game confrontation. While it would not make or break their seasons — the Giants lost last year's opener to the Dallas Cowboys — it was not quite just another game.

"There was a different atmosphere around us all week," said Stump Mitchell, coach of the Bears. "There will be a lot of egos out there as they're indulging in the grander things," said Mike Tomczak, the Bears' quarterback pro tem. "I don't know if it's the biggest game paid less and less attention to the season because we will have all the games after that."

"They tell us that to this Bear-happy city. The 66,000 seats at Soldier Field were sold out, and scalpers come to see the importance of the night accept \$100 for a \$30 ticket."

As he sees it, Ellington's best work that night will be in perspective with the achievements of his coach.

"Both teams are basically the same last season. And the Bears have basically the same uncertainty at quarterback, where Jim McMahon's foot-cuff surgery will keep him out at least six more weeks."

Last season, McMahon, Tomczak, Doug Flutie and Steve Fuller took turns at quarterback. Now McMahon and Fuller are on injured reserve, and Tomczak is to return for his second game.

"Both teams are basically the same last season. And the Bears have basically the same uncertainty at quarterback, where Jim McMahon's foot-cuff surgery will keep him out at least six more weeks."

Rich Kardis, who missed twice in the last Super Bowl, kicked four field goals as the Broncos scored 33 straight points after trailing 17-7 with 25 minutes gone in the game.

The biggest splash Seahawk rookie linebacker Brian Bosworth made was by appearing with No. 44 painted on the tape of his shoes in protest of the NFL rule that made him wear a helmet with his number. The biggest cheer he got from a crowd of 75,999 came on the third play of the game, when he was leveled in the open field by Bronco center Billy Bryan.

Raiders 26, Packers 0: In Green Bay, Wisconsin, Marcus Allen had 136 yards and a touchdown as Los Angeles handed Green Bay its first shutout in 122 games.

No Prog in Tails

Although negotiations for the players association and the owners' held extended talks over the weekend, they seemed no closer to an agreement, The New York Times reported. The union has set a Sept. 22 strike deadline.

NFL FOOTBALL

give up 300 yards in the Super Bowl and won."

The Bears' offense will suffer if Jay Hilgenberg, the center, cannot function well. The partially torn rotator cuff in his shoulder will be protected by a harness. His only backup is John Adcock, a rookie.

The Giants were 3-1 in preseason games. They got good passing from Phil Simms (30 of 86 for 387 yards and 4 touchdowns) and distinguished running from Joe Morris (34 for 92 yards and 2 touchdowns).

The key to the Giants' offense might be William Roberts' success as the replacement at right tackle for Kari Nelson, who has Hodgkin's disease. Roberts has shown progress, but he had to control an exceptional defense in Dan Hampton.

So both teams were concerned as they approached their opening-game confrontation. While it would not make or break their seasons — the Giants lost last year's opener to the Dallas Cowboys — it was not quite just another game.

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When Stump Mitchell carried the football, he attracted more attention from the Cowboys than he would have liked. Still, the Cardinals won the NFL season opener, 24-13.

In games late Sunday afternoon, The Associated Press reported:

Broncos 40, Seahawks 17: In Denver, the Bronco defense turned five turnovers into 27 points and John Elway passed for 338 yards and four touchdowns as the defending AFC champions routed Seattle.

The Bears were 7-0 in the game. Kardis started last season, the had 10 interceptions and only 21 yards. He was 10-10, 210 yards and two touchdowns. But he said that he was often throwing off the wrong foot, and that he worked hard in the B.R. 11, 210 yards to remedy that.

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Canada Beats Soviet In Longest Cup Game

By Robert Facher

Washington Post Service

HAMILTON, Ontario — Mario Lemieux's third goal of the contest after 30 minutes, 7 seconds of sudden-death overtime, gave Canada a 5-4 victory Sunday night over the Soviet Union in the longest game in the history of international hockey.

As a result, the Canada Cup was to be decided in a third game, to be played here Tuesday. The Soviet Union won Friday's opener in Montreal by the same score, 5-3, in 53 minutes of extra time.

Both teams usually cover men to men. With Williams missing, the only true wide receiver, the Giants have four wide receivers, probably Lockett and Terry Kinard.

They may not be fast enough to stay with the wide receivers, though the Giants' front seven put enough pressure on the quarterback the reception may be academic.

"Last year," said Dirks, "the Giants gave up yardage in the passing game and didn't lose games. They

goal with only 64 seconds to go.

The first period was played at an incredible tempo, with the Canadians unleashing 17 shots on goal, the Soviets 13. Canada grabbed a 3-1 lead with an assist from referee Paul Stewart, who disallowed what had appeared to be a Soviet score.

The pace dropped in the second period and so did Canada's fortunes.

As a result, the Canada Cup was to be decided in a third game, to be played here Tuesday. The Soviet Union won Friday's opener in Montreal by the same score, 5-3, in 53 minutes of extra time.

A holding penalty by defenseman Doug Crossman had enabled the Soviets to close the gap. Viacheslav Fetisov scoring from the left point at 12:11 on a drive that caromed into the net off goalie Grant Fuhr's stick.

Then Canada's tested power play backfired after Sergei Nemchinov was chased for holding. Glenn Anderson. Just 13 seconds later, Vladimir Krutov made it 3-3 from the far corner of the right wing circle following superb stickhandling by him and Sergei Makarov. It was the Soviet Union's third shorthanded goal in three games against Canada.

Lemieux's go-ahead score came on a two-on-one break with Gretzky against Vasili Pervukhin.

After Anatoli Tarasov rattled a post, Viacheslav Bykov cracked a 4-4 tie at 4:45 of the third period. Andrei Kholomov was tripped by Craig Hartsburg, maintained control of the puck while on his knees and passed to Bykov in the right wing circle. His backhander beat Fuhr on the short side.

Though Semenov had forced overtime by passing the puck from the right wing to the left, the Soviets came closest. Igor Larionov backhanded the puck into Fuhr at the finish of a three-on-one that left Beloborodov skating to celebrate, in belief the game was over. When Yuli Khimleyev's shot off the rear boards came out in front, Sergei Prikhain was just wide with the rebound. And, finally, Fuhr made a great stop on a screened shot by Alexei Kabanov, skating down the middle.

After Lemieux skated Kabanov

SPORTS

Open Rain Raises Money Matters

By Peter Alfano

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